THE MANITOBA BUDGET

BUDGET SPEECH

WORKING HARD TODAY. PREPARING FOR TOMORROW.

THE HONOURABLE
GREGORY F. SELINGER
MINISTER OF FINANCE

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The 2001 Manitoba Budget Address

The Honourable Gregory F. Selinger
Minister of Finance
April 10, 2001

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2001 Estimates of Expenditure,
2001 Estimates of Revenue,
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THE 2001 MANITOBA BUDGET ADDRESS

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WORKING HARD TODAY, PREPARING FOR TOMORROW

As we move further into a new century, we are afforded a unique opportunity to celebrate our past, while focussing on the vast opportunities of the future. Our hard work today builds a better tomorrow for Manitobans and their families. We have many accomplishments on which to build:

- employment at record high levels;
- dramatic cuts in hallway medicine and other improvements to health care;
- significant tax reductions;
- a renewed commitment to preserve and promote our immense Hydro resource and create new development opportunities in our North;
- significant investments in our schools, colleges, universities, children and youth – for all our futures.

It is my honour to present to Manitobans the 2001 Budget.

It is time to address our present challenges the way only Manitobans can: with courage, compassion and confidence. A time to focus on our vision for the future. A time to build upon those things that make our province the best place in Canada to live, work and raise a family.

We face difficult choices at this time of economic uncertainty, but we make them with an eye toward our collective future. That is the essence of the 2001 Budget – working hard today, preparing for tomorrow.

In that spirit, this Budget continues to put Manitoba families first. We have made choices that the vast majority of Manitobans would make: more investment in vital public services, strong debt reduction, tax reductions we can afford, schools and health care first.

We must make wise decisions today, even if it means delaying some more popular measures. Protecting our capital city from future flooding is estimated to cost up to $700 million. We cannot let the size of the task deter us from taking action now. The security of families, businesses and communities in Manitoba requires prompt action. Budget 2001 meets this challenge head on.

Manitoba's future prosperity depends on the skills and education we can give our citizens, particularly young Manitobans. A well-trained, well-educated work force is the foundation of our economic plan.

Every Manitoban depends on our health care system. This Budget provides needed resources for nurse and doctor training and retention programs. We will give our regional health authorities support to carry out their responsibilities, while asking them to further

improve cost effectiveness. We will invest in needed medical equipment, and we will work to control spiralling drug costs.

This Budget supports Manitoba families and communities. For example, our efforts to bridge the crisis in agriculture today, will lead to greater diversification tomorrow. It ensures we have a safe and healthy environment.

We are taking steps to keep our taxes affordable and fair. We will address education property taxes, personal income taxes, and business levies. At the same time we will introduce measures to further improve transparency and accountability in government.

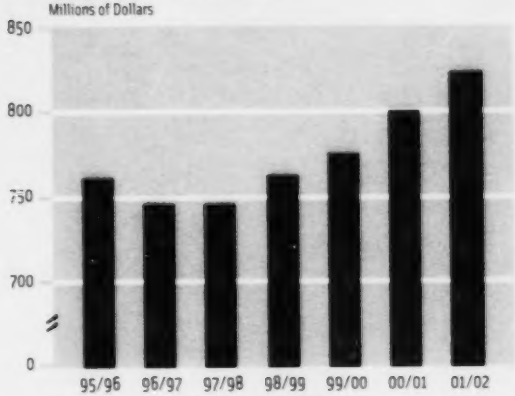
This is a fair Budget. A Budget that is balanced in every sense of the word. A Budget that makes sense for Manitoba in 2001 and beyond.

EDUCATION: RENEWING HOPE FOR YOUNG PEOPLE

Our plan for education has five components:

- rebuilding physical infrastructure;
- greater affordability through tuition policy and bursaries;
- improved enrolment through broader course offerings;
- training strategies for the future; and
- greater accessibility.

Funding to Public Schools



Source: Manitoba Education, Training and Youth

Providing quality education and flexible skills training is an important challenge in the 21st century. Our responsibility as a society is to restore hope to young people, and provide a more secure future right here in Manitoba.

Over the past 18 months, we have increased funding to public schools by $47 million, compared to a total increase of just $15 million in the five Budgets from 1995 to 1999. Combined with improved education property tax credits, we have increased support for public education, directly and indirectly, by $100 million.

Last year we allocated the highest amount ever for capital funding to our public schools. And, to address physical infrastructure needs, we committed to the largest post-secondary investment in decades – $101 million in capital funding to colleges and universities.

Capital Funding Commitments for Universities and Colleges
(Millions of Dollars)

University of Manitoba *	$ 50
University of Winnipeg	14
Brandon University	5
Collège universitaire de Saint-Boniface	1
Red River College	31
Total Commitments	$ 101

* A matching amount will be raised through the University of Manitoba's private fund-raising campaign.

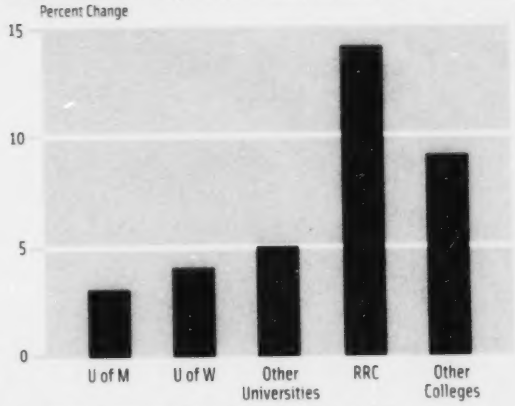
Manitoba is now a leader among provinces in making education affordable. Statistics Canada recently reported that Manitoba students were the only ones to see a reduction in their tuition fees last year.

We reduced tuition fees by 10% last year. Today's Budget will continue this benefit, keeping tuition at last year's level for the majority of students. In our first Budget, we introduced the first student bursary program in ten years. With this Budget, two years of student bursary support totals over $12 million. In combination with Canada's Millennium Scholarships, over 5,000 students received assistance. This Budget continues our commitment to affordable tuition and to bursaries.

This year, Manitoba students are receiving important additional support through the income tax system. Both our Government and the Government of Canada have doubled the monthly amount used to calculate the non-refundable tax credits for post-secondary education. In addition, Manitoba has increased the non-refundable tax credit rate from 8% to 10.9%. Because the higher amounts would also automatically increase the value of the Learning Tax Credit, the rate for that Credit is being reduced from 7% to 4%.

A student attending a post-secondary institution full-time for eight months and paying $3,000 in tuition and fees is receiving an additional $234 of support from Manitoba, and $210 from the federal government. The combined increase in support for this student is 30%. All students are receiving more Provincial support this year thanks to these changes.

Post-Secondary Enrolment, 2000/01



Note: University enrolment measured in full-time equivalents.
Source: Council on Post-Secondary Education

Education is crucial to our economic strategy. Unfortunately, in the last decade, too many young Manitobans were being left behind. Today, we are working to increase enrolments by expanding course

options and flexibility. We are supporting students and we are supporting colleges and universities. We are finally on the road to strengthening our place as a learning society.

Our Government recently outlined a Manitoba Training Strategy, building on recommendations from last year's Manitoba Century Summit. Our plan calls for continued expansion of our college system and apprenticeship spaces, and new forms of on-the-job training.

Programs such as ACCESS enhance accessibility of educational opportunities, especially for Aboriginal students. This Budget increases support for ACCESS programs for the second consecutive year, after more than a decade of program cuts and frozen funding. We are also proud to be a partner, with the Business Council of Manitoba and the federal government, in the new Aboriginal Education Awards.

Significant commitments in this Budget include:

- increasing overall grants to colleges and universities. Universities will receive a 3.8% grant increase, including almost $3 million to support the continuing tuition reduction;
- allocating $10.9 million for our College Expansion Initiative; and
- increasing support for our aviation and aerospace training.

Tuition reductions, more bursaries, and an increase in capital and operating grants to colleges and universities – these measures provide young people with incentives to stay on the road to higher learning and success right here in Manitoba.

MOVING AHEAD ON HEALTH CARE

Investing in our future means investing in the health of every citizen. Our commitment is to provide better health care, not simply more health care.

We believe in the future of universal, public, not-for-profit health care.

Today, we are increasing health care funding to almost $2.6 billion – 38% of the total Provincial Budget. But dollars are just one factor in the health care equation. As we rebuild our health care system, we continue to focus on three main areas:

- stabilizing funding;
- addressing shortages of nurses, doctors and other health care workers; and
- working on innovative, made-in-Manitoba solutions to preserve and enhance our health care system.

All provinces face similar health care challenges, but our approaches are distinctly Manitoban. We believe in the future of universal, public, not-for-profit health care. A recent example of our commitment is the

conversion of the Pan Am Clinic. The Clinic's standing will be retained and enhanced as it becomes part of the public system providing world-class care to all Manitobans.

We reject the culture of hallway medicine. We have been nationally recognized by the Canadian Institute for Health Information as having the best plan in the country for ending hallway medicine. Last year – through expansions to home care, better co-ordination of hospital resources, and the largest flu vaccination program in our province's history – we decreased the number of patients in hallways by 80%. This year, there will be new initiatives directed specifically to better care and co-ordination in emergency rooms.

For the second year in a row, there will be timely and predictable budgets for regional health authorities. This new process has helped the Winnipeg Regional Health Authority to manage its budgeted resources better. The WRHA's progress speaks to the determination and hard work of our health care professionals. Work must continue with regional health authorities to provide health care that is sustainable, affordable and cost-effective.

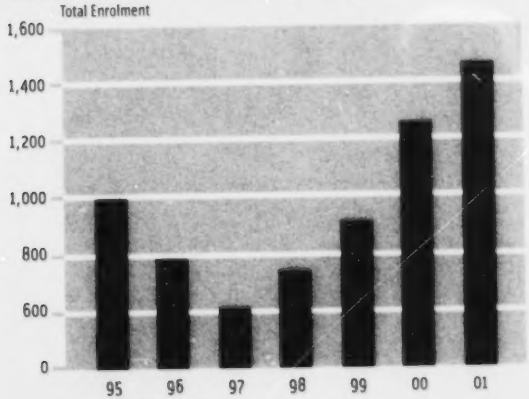
Manitoba faces the national and global challenge of addressing a shortage of health professionals. Past failures to provide needed training resulted in staff shortages and increased waiting lists for tests and treatment. It will take time to address the short-sighted cuts of the past, but we are making progress.

Hospitals are now providing 1,400 more ultrasound tests and up to 400 more CT scans per month.

This Budget supports the reinstated diploma nursing program, a key component of the continuum of nurse training. This year we have more students enrolled in nursing than at any time in the last decade – twice as many as just four years ago.

Manitoba faces the challenge of recruiting and retaining more doctors. In this Budget we are increasing funding to keep doctors in Manitoba. New medical graduates will be provided with incentives to set up their practices here at home. International medical graduates living in Manitoba will be given the

Total Enrolment in Nursing Programs



Source: Manitoba Health

supports they need to provide care, especially in underserved areas of the province. This is part of a comprehensive recruitment and retention strategy that will see 15 more medical school spaces. Nine of these spaces will be dedicated to training family physicians for rural and Northern Manitoba.

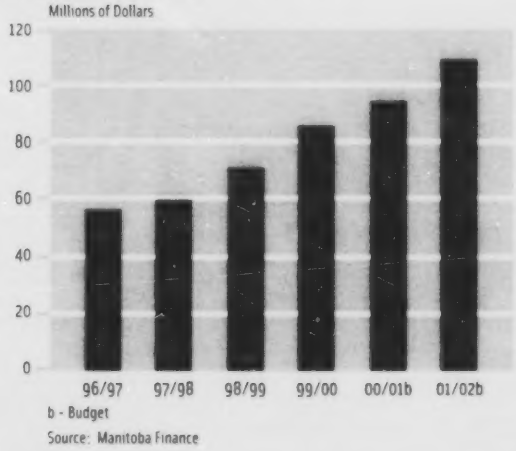
Last year we made significant investments in medical equipment, including more CT scanners and dialysis machines. This Budget invests $22 million to replace ageing diagnostic equipment and a further $18 million next year. Hospitals are now providing 1,400 more ultrasound tests and up to 400 more CT scans per month.

We have expanded acute care services, including dialysis, cardiac care and neurosurgery. We will continue to strengthen our hospitals' ability to provide the best treatment and care of patients. We are renewing our commitment to urban and rural emergency medical services. Over the next 18 months, we will purchase 80 emergency vehicles for regional health authorities, and continue to develop an integrated medical transportation co-ordination centre.

Keeping Manitobans healthy is a key focus of our approach to health care. This is a worthy goal in itself, and it will have the added benefit of easing the burden on our hospitals. The largest flu vaccination program in Manitoba history, and the recent mass meningitis vaccination were important prevention measures. We have also launched HealthCheck, a new public information initiative. Its first focus is on preventing the tragedy of child injuries. As well this year, we will make further investments in primary care, community and long-term care, and mental health.

Last Session, we passed legislation to protect persons in health care facilities from abuse. This Budget provides resources to protect our most vulnerable citizens.

Pharmacare Costs



b - Budget

Source: Manitoba Finance

Prescription drug costs are the most rapidly accelerating costs in Manitoba's health budget. Pharmacare costs rose 95% over the last four years alone. Neither federal support for health care nor Provincial revenues will support ongoing increases at this rate.

Manitoba will act to contain the cost of drugs while continuing to provide one of the fairest, most compassionate levels of Pharmacare coverage in

Canada. We plan to work with other provinces, the public and health care professionals to undertake measures to contain drug costs. As evidence of our commitment, this Budget provides Pharmacare funding of $109 million.

A universally accessible health care system is Canada's and Manitoba's heritage. We will work hard to protect it for future generations.

SUPPORTING FAMILIES, STRENGTHENING COMMUNITIES

Strong and healthy families are key to the future well-being of our province. Studies indicate that children raised in nurturing environments have higher graduation rates, higher incomes, lower crime rates, and less reliance on social services.

For these compelling reasons, our Government has been allocating resources to important programs for communities and families.

Last year, we introduced Healthy Child Manitoba to better focus resources and programming for early childhood development. We also extended parental leave from 17 to 37 weeks, and increased funding for child care by nearly 18%. In addition, we began to reduce the clawback of the National Child Benefit by allowing increases to flow through to all Manitoba families on income assistance. We introduced a new family tax reduction, providing more benefit to Manitoba families.

This year, we are building on these achievements by:

- increasing funding to Healthy Child Manitoba by $5.5 million – more than 42%;
- adding a further 7.7% in funding to child care; and
- implementing a new, innovative prenatal benefit.

I am also pleased to announce that this Budget completely ends the clawback of the National Child Benefit for hundreds of families on income assistance with children under six. With today's Budget, these families will receive the full benefit

The Lighthouses program is a new, community-based program promoting opportunities for youth to get involved.

In addition, we provide more support for:

- family violence prevention programs and women's shelters;
- parent-child centres;
- Aboriginal child welfare; and
- persons with disabilities.

Strong, healthy families require decent places to live. This Budget continues support for significant housing and neighbourhood renewal initiatives, including:

- Neighbourhoods Alive!, a renewal program targeting neighbourhoods in need in Winnipeg, Brandon and Thompson;
- the Residential Rehabilitation Assistance Program (RRAP) for renovation of rental units and homes;
- the Supportive Housing Initiative, for lower-income elderly persons and persons with disabilities; and
- the Rural and Native Housing Program.

In this Budget, we reinforce our commitment to community safety by:

- increasing the number of law enforcement officers; and
- strengthening community safety and crime prevention programs.

The Lighthouses program is a new, community-based program promoting opportunities for youth to get involved in after-school activities. Lighthouses is an excellent example of how we can provide new hope and opportunities for young people.

Aboriginal and Northern Initiatives

Manitoba has many diverse regions, and Budget 2001 recognizes that diversity. Our Aboriginal and Northern initiatives include:

- increasing funding for new airport terminals and maintenance;
- providing First Nations full mineral development rights on reserve land;
- providing low equalized Hydro rates for all Manitobans;
- working with First Nations and Métis partners on new protocols in justice, family services and resource development;
- encouraging the federal government to play a more active role in addressing the needs of Aboriginal people; and
- eliminating the $50 Northern patients transportation fee.

Budget 2001 increases support for:

- the RCMP's Aboriginal Community Constable Program;
- the work done by the Manitoba Association of Friendship Centres, Manitoba Métis Federation and Assembly of Manitoba Chiefs;
- winter roads, including the new 500-kilometre Tadoule Road system, serving the communities of Tadoule Lake, Brochet and Lac Brochet; and
- other much-needed infrastructure projects, including a new Northern Housing Strategy focussing on remote Northern communities.

Urban Revitalization

Winnipeg, our capital city, is experiencing an exciting renaissance. The new Red River College campus will act as a major boost to Winnipeg's downtown. The refurbished Ashdown Building, future home to several arts and cultural organizations, as well as new downtown living space, will also boost revitalization efforts.

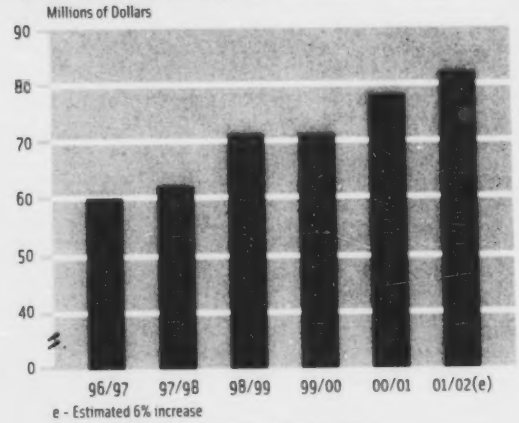
We announced an increase in the per capita Provincial grant to the City of Winnipeg, further supporting our commitment to lowering property taxes.

The City of Winnipeg will receive infrastructure assistance totalling $21.6 million. The projects reflect government priorities such as fixing roads and sewers, public transit, and the renewal of infrastructure in the downtown and older neighbourhoods.

This year we announced an increase in the per capita Provincial grant to the City of Winnipeg, further supporting our commitment to lowering property taxes.

Other support to the City of Winnipeg includes funding to CentreVenture, Economic Development Winnipeg, Tourism Winnipeg, and the Winnipeg Convention Centre. Communities and residents also benefit from support provided by Neighbourhoods Alive!.

Transfers to Municipalities under PMTS



e - Estimated 6% increase

Sources: Manitoba Public Accounts and Manitoba Finance

Brandon, as well, has been experiencing exciting and vibrant new developments. Recent Provincial initiatives include:

- $58 million for renewal of Brandon Regional Health Centre;
- $5 million for capital investments at Brandon University;
- transferring ownership of the Brandon Mental Health Centre property to the City of Brandon;
- a new, cost-shared $3 million water disinfection system;
- community renewal through Neighbourhoods Alive!;
- support for the Keystone Centre; and

- a five-year agreement with the Brandon Police Service to hire and train new police officers with the community policing and youth units.

Today, our cities, as well as the rest of Manitoba, will benefit from our decision to lift rent controls for 15 years for newly constructed rental units.

Agriculture and the New Rural Economy

Our rural areas are also undergoing a transformation. No longer is the rural economy dependent solely on traditional agriculture. Increases in livestock operations underline the fact that producers are diversifying.

Our highly competitive Hydro rates are encouraging companies like Albchem Industries and Nexen Chemicals to build or expand operations. New investments like the recently announced J.R. Simplot plant planned for Portage la Prairie bring new opportunities to rural communities.

Today, we are announcing $6.8 million for the federal-provincial Prairie Grain Roads Program. The increase will upgrade roads in rural municipalities used for grain transportation.

Our Government will work with all parties in the Legislature, municipal leaders, and farm representatives to press the urgent need to support our farming families. Our farmers deserve increased assistance from Ottawa. At a time of high international subsidies, rising input costs, and low commodity prices, increased assistance from Ottawa is pivotal.

We have taken Provincial action to help during this time of crisis by:

- expanding crop insurance to cover non-traditional crops and unseeded acreage due to excess moisture;
- significantly reducing crop insurance premiums; and
- providing an additional $52 million in support to farmers.

Support for agriculture is increasing 6.4% over last year's budget.

The Enhanced Diversification Loan Guarantee Program will provide farmers with access to $200 million in private financing.

Seventeen Canada/Manitoba Business Service Centres are now up and running in rural Manitoba, providing advice on global marketing opportunities.

Recent new funding for the Enhanced Diversification Loan Guarantee Program will provide farmers with access to $200 million in private financing. The increase is expected to generate $250 million in construction spending, as well as 900 direct permanent jobs, 500 indirect jobs and other spin-off benefits.

The Rural Economic Development Initiative will continue to help Manitobans expand their local economies and

create jobs. We will also continue to fund programs like Community Works Loans and Grow Bonds.

MANAGING OUR NATURAL RESOURCES FOR A GREENER MANITOBA

We believe a green Manitoba is part of our Manitoba Advantage. Therefore, we must invest in our future with initiatives that address our responsibility to be caring stewards of the environment.

This year we are proud to begin implementing the recommendations in the Consultation on Sustainable Development Report, which includes ecosystem based planning, a more participatory process for environmental licensing, and involvement of Aboriginal people in resource development.

A $1 million Climate Change Action Fund to address the impact of human activity on the environment

Climate change is one of the most significant environmental challenges of this century. We recently announced a $1 million Climate Change Action Fund to address the impact of human activity on the environment. This Fund and our new Climate Change Task Force will help Manitoba meet its obligation to ensure a clean, healthy environment for future generations.

Other measures to help protect our environment include:

- introducing a new Environmentally Sensitive Areas Tax Credit to reduce property tax for landowners who restore natural cover to agricultural land;
- introducing sales tax on chemicals used for yard care and pest control, including fertilizers, herbicides and insecticides, except when purchased for farm use;
- continuing with an action plan to create more provincial parks and protected areas;
- cleaning up orphan mine sites; and
- setting aside boreal forest lands. Manitoba is already a leader in protecting boreal forest. We will be making other announcements in this regard.

Manitoba's Water Strategy

Water knows no boundaries. Manitoba's Hudson Bay watershed drains a quarter of North America. Therefore, whether it is flood control, water quality, or drainage, what happens elsewhere in North America impacts Manitoba.

We continue our battle on behalf of Manitobans to stop the Devils Lake and Garrison water projects. We stand alongside Minnesota and Missouri, and are lobbying the Canadian and American governments to put a stop to these projects.

As we continue to deal with this international concern, there is much we can do at home. I am pleased to announce this Budget provides new support for our enhanced water strategy. We are:

- introducing a safer drinking water program through monitoring, inspection and operator training to complement drinking water tests;
- extending a sales tax exemption for manure slurry tanks and lagoon liners to promote environmentally safe handling of livestock wastes; and
- supporting the Livestock Stewardship Program for additional inspection and enforcement.

Our water strategy also includes:

- $25 million for flood protection outside Winnipeg; and
- 11% increase for water projects, with a million dollar increase for drainage.

We must have the vision today to make Floodway expansion a reality for tomorrow.

Red River Floodway

Nowhere is the need for forward thinking more apparent than with the Red River Floodway. It symbolizes the value of hard work, co-operation and foresight.

Premier Duff Roblin and Prime Minister John Diefenbaker recognized the wisdom of the proposed Floodway in protecting our province, and came to a workable solution on sharing the cost.

The recent International Joint Commission (IJC) report confirms that Winnipeg needs significant upgrading of its flood-proofing capacity to protect against even larger floods than 1950 and 1997. We must have the vision today to make Floodway expansion a reality for tomorrow.

Last month, we took a first significant step, in partnership with the federal government, to improve the operation of the Floodway inlet. Today, we take a second major step, committing $40 million toward major improvements recommended by the IJC.

Manitobans recognize the necessity of this investment. It will improve their quality of life, while assuring the security of families, businesses and communities. We will be working with our federal colleagues to make this protection happen. It is common sense to invest in prevention today, rather than deal with multi-billion dollar disasters down the road.

In total, $82 million for flood protection and water-related infrastructure is available in this Budget.

Manitoba's Hydro Resources

Another significant undertaking in Manitoba's history was the development of our hydro-electric resources. The foresight of our past leaders means Manitobans have among the lowest rates for hydro-electricity in North America, and a secure and sustainable supply of energy.

High water levels generally mean more export revenue for Manitoba Hydro. Too often, however, high water means flooding in other parts of the province.

In 1932, Manitoba began to apply Water Power Rental rates to our hydro-electric generation. We are one of five hydro exporting provinces to have such a levy. To help offset the costs of our water strategy and flood protection, including an expanded Red River Floodway, we will be raising Water Power Rental rates to Ontario levels, at $3.341 per megawatt hour, 60% of British Columbia's rate of $5.528. Given Manitoba Hydro's strong performance, especially in export sales, no rate increases are anticipated. For the year ahead, after these changes, Manitoba Hydro is budgeting for a profit of almost $100 million. Winnipeg Hydro will not be affected by these changes.

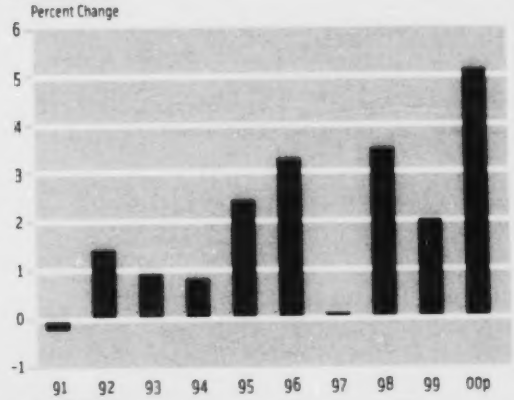
BUILDING THE ECONOMY

Looking ahead, we are committed to building on the solid foundation Manitobans have worked hard to establish. Our aerospace industry continues to expand, and rural economies are more diversified. And favourable costs, our outstanding quality of life, inexpensive and reliable energy, mean continued investment potential in our province. Our ground breaking e-commerce legislation and new e-strategies, like the Common Business Identifier, position Manitoba companies to take advantage of expanding e-business, and streamline access to government services.

Manitoba experienced positive, strong growth during the past year. Highlights include:

- strong labour market conditions pushing Manitoba's employment numbers to record high levels;
- the lowest unemployment rate in Manitoba since 1976;

Manitoba Personal Disposable Income Per Capita



p - Preliminary

Source: Manitoba Bureau of Statistics

- the lowest youth unemployment rate in the country for the second straight year, and the lowest here since 1977;
- the biggest increase in average weekly earnings since 1991, well ahead of Canada's growth;
- a new record for capital investment last year, signalling continuing high confidence in the Manitoba economy; and
- the strongest per capita disposable income increase since 1990.

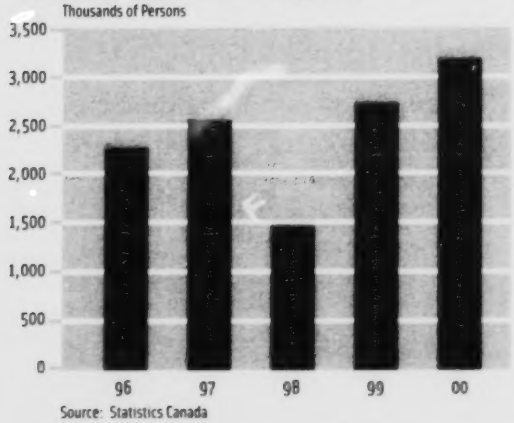
We recognize that North America has entered a period of economic uncertainty. We remain vigilant concerning emerging American protectionist measures at a time of slower U.S. economic growth. However, we also know that the diverse nature of our economy will provide us with an advantage in meeting the challenges ahead.

Our survey of private economic forecasters shows Manitoba's real economic growth this year will be 2.4%.

Immigration and Labour

Manitoba needs more skilled workers. More accessible education is one way to address this challenge, increased immigration is another. Last year, 4,600 immigrants brought their skills to Manitoba, an increase of 24% from 1999. This is only the beginning.

Total Net International Migration



Source: Statistics Canada

We are moving forward with new initiatives that will increase immigration to our province, and add to the quality of life for our diverse, multicultural society. Today, we have increased funding for:

- immigration promotion and recruitment;
- the Manitoba Immigrant Integration Program; and
- Adult Language Training.

Safer workplaces mean reduced injuries, better employment security, lower workers compensation costs for employers, and improved productivity.

Safer workplaces mean reduced injuries, better employment security, lower workers compensation costs for employers, and improved productivity.

Today's Budget also provides an increase of over $500,000 for Workplace Safety and Health services.

Culture and Tourism

Tourism is a billion-dollar industry in Manitoba. Earlier this year, the Province, along with the travel industry, held a major summit of key stakeholders. It was a great success, and symbolized a new era of partnership between government and the tourism industry.

In this spirit we are pleased to announce today that we are committing resources in new ecotourism initiatives – fulfilling another of our important election commitments.

Attracting more American tourists to Manitoba has been long neglected. This spring, the first major advertising and information campaign into selected U.S. markets in a decade, will be launched, and we will continue this strategy for 2002.

Cultural industries add to the diversity and richness of Manitoba. This Budget includes new support for cultural industries like new media.

We are extending the Manitoba Film and Video Production Tax Credit for another three years. To enable local film producers to enter into more co-productions with larger firms, we will also remove the $50 million asset cap on eligible firms.

Research and Development

Research and innovation are key elements of growth, higher living standards, and further diversification of our economy. The Conference Board of Canada found that Manitoba's R & D support was substantially more attractive than any of the ten U.S. states examined, and among the best in Canada.

Our Government already plays an important role in facilitating research by our universities and private industry. Last year, for example, we invested over $13 million in research and development funding directly to Manitoba universities. Our ongoing Research and Development Tax Credit provided an additional $12 million to support research undertaken by private industry.

To further enhance the growth and innovation in science and technology, we are reorganizing and consolidating the management of Provincial research and development activities within Industry, Trade and Mines. This will co-ordinate our efforts in support of Manitoba's knowledge economy.

Manitoba businesses are also well-positioned to take advantage of markets for clean energy. For example, hydrogen fuel cell technology is being researched by the Kraus Group, while New Flyer and Motor Coach Industries are developing alternative-fuel buses.

This Budget guarantees a ten-year tax advantage for gasohol to promote the production and use of gasohol to reduce harmful emissions.

Energy

Our plan is to manage Manitoba Hydro for the economic advantage of all Manitobans. Our priorities are:

- using our low rates and proven reliability to attract jobs and business to Manitoba;
- increasing export revenue to keep rates low, allowing us to introduce uniform rates for all hydro users in the province; and
- protecting our environment and conserving energy.

For example, we launched a new PowerSmart initiative to give Manitobans access to home audits, and retrofit loans to help address rising heating bills. Already $2 million in loans have been approved.

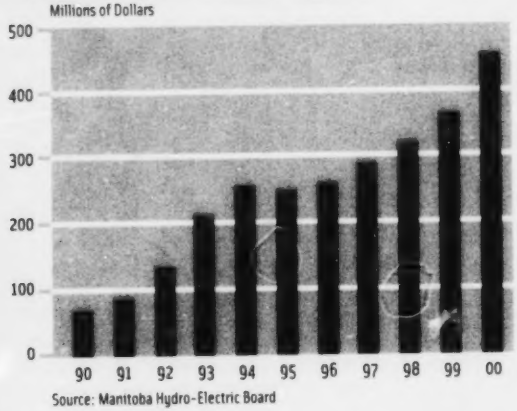
We are actively exploring new hydro export opportunities, not just to the south, but to the east, west, and north as well. We are also strengthening efforts to attract more energy-intensive enterprise to our province.

Manitoba Hydro is well-positioned to realize short-term profits, and to identify and develop new opportunities that will lead to even greater growth in the future. Last year, the value of electricity sales was

$1.3 billion, an increase of almost 10%. Exports accounted for a record 35% of this total.

Manitoba has significant potential to expand upon our renewable, reliable, and clean hydro-electric power production. More than 5,000 megawatts can be developed with a minimum of environmental damage, and with the concurrence and participation of local communities. Our plans for hydro development ensure that Aboriginal residents have a greater share in the economic benefits.

Manitoba Hydro-Electric Exports



Source: Manitoba Hydro-Electric Board

In 1999, Centra Gas was directed to pay amounts in lieu of income taxes to the Province after its acquisition by Manitoba Hydro. We asked for an opportunity to review the broad implications of this policy. As a result, Centra Gas withdrew its application for a 1.8% rate increase.

Roads and Infrastructure

Another important aspect of developing our province is infrastructure improvements. Today's Budget allocates $183 million for transportation infrastructure, including new construction, maintenance, winter roads and transportation programs.

The Canada/Manitoba Infrastructure Agreement, signed in October, will further our progress. The six-year program will invest up to $180 million in infrastructure in Manitoba. More than simply bricks and mortar projects, these programs will improve quality of life across Manitoba.

TAXATION

This Budget again delivers significant, sustainable and immediate tax relief, leaving more disposable income in the pockets of Manitobans.

Last year we announced the elimination of the flat tax and surtax, and introduced the family tax reduction.

Personal Income Taxes

Last year we announced the elimination of the flat tax and surtax, and introduced the family tax reduction – the most important reform of Manitoba's personal income taxes since 1972. Other measures included:

- increasing the threshold for the middle tax bracket to $65,000 from $61,000, effective 2002;

Personal Tax Savings Since 1999

Personal Income Taxes and Education Property Tax Credits

	Implemented in:				Cumulative Annual Total
	2000	2001	2002	2003	
	(Millions of Dollars)				(Millions of Dollars)
Income Tax Reductions:					
2000 Budget	9	68	34		111
2001 Budget		29	7	18	54
Total					165
EPTC Increases:					
2000 Budget	26				26
2001 Budget		27			27
Total					53
Annual Totals	**35**	**124**	**41**	**18**	
Cumulative Annual Totals	**35**	**159**	**200**	**218**	**218**

- reducing taxes for persons living with disabilities;
- increasing credits for charitable donations; and
- removing 15,000 lower-income Manitobans from the tax rolls.

These changes reduce taxes for all income groups and family types by $68 million this year, and a further $34 million next year. We also matched federal reductions with $9 million of additional Provincial tax relief, for a combined $111 million in annual Provincial Personal Income Tax savings. This is over and above the $40 million tax reduction announced in the 1999 Budget, and fully implemented on January 1, 2000. This is meaningful tax relief. This is progress for Manitoba families.

Today, I am announcing further action, which, along with our matching new federal measures, builds on this $111 million. Budget 2001 further reduces personal income taxes by $29 million this year, rising to $54 million annually by 2003.

By 2003, Manitobans will realize $165 million in annual personal income tax savings from this Government.

New tax reductions announced today, include:

- increasing non-refundable tax credits by 2.5% over 2000, benefiting all taxpayers;
- reducing the middle bracket tax rate to 15.4% in 2002, and 14.9% for 2003 – a reduction from 16.2% in 2001;

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- increasing non-refundable tax credits by 2.5% over 2000, benefiting all taxpayers;
- reducing the middle bracket tax rate to 15.4% in 2002, and 14.9% for 2003 – a reduction from 16.2% in 2001;

- reducing the top bracket tax rate to 17.4% for 2001; and
- removing another 4,000 lower-income Manitobans from the tax rolls.

On average, by 2003, Manitobans will enjoy a 10.5% decrease in their provincial income taxes based on reductions introduced in our first two Budgets.

Property Taxes

In our Budget 2000, we fulfilled our election promise by delivering a $75 increase in both the minimum and maximum Education Property Tax Credits for all eligible homeowners and tenants. I am pleased to announce the second step in our election commitment, an additional $75 increase in the Education Property Tax Credit, saving Manitobans a further $27 million. Our Government has now raised the minimum credit from $250 in 1999 to $400 this year – an increase of 60%.

The combined $150 Tax Credit increase represents an average property tax reduction of 6.0 % in Winnipeg, and 9.4 % in the rest of Manitoba.

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The Education Property Tax Credit, combined with income tax cuts, will provide tangible and growing tax relief. For example, for a family of four with a combined income of $60,000, Manitoba taxes fell by $249 last year. This year the family will pay $692 less tax than in 1999, $785 less next year, and $820 less in 2003. This family's total savings over the period will be $2,545.

Other Manitobans enjoy similar savings over the four-year period.

- A family of four with one income of $40,000 will see a total saving of $2,259.
- A single senior with an income of $20,000 will save $1,231.
- A single parent earning $30,000 will save $1,617.
- A single person with an income of $35,000 will save $1,351.

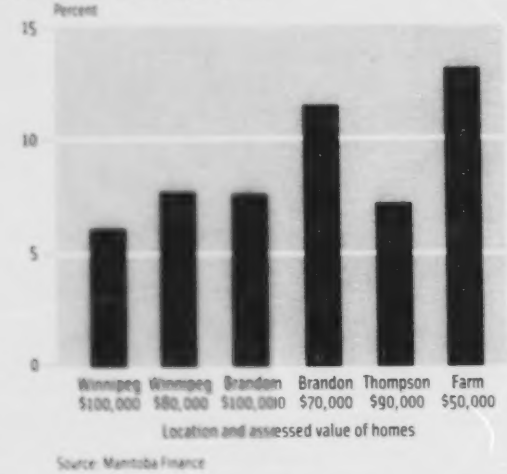
In total, reductions for income tax and education property tax introduced in our first two Budgets will deliver savings of $218 million to Manitobans by 2003.

Provincial-Municipal Tax Sharing

Manitoba has a unique configuration of financing arrangements with local governments. The Provincial-Municipal Tax Sharing program, the only one in Canada, provides a share of corporation and personal income taxes to help local governments offset expenses, and reduce their reliance on property taxes. As elsewhere in Canada, there is a province-wide residential property levy, the Education Support Levy, that is applied to help pay for

Property Tax Savings

$150 Education Property Tax Credit increase as percent of total property tax bill



Source: Manitoba Finance

public schools. To many Manitobans, these arrangements are confusing, unclear, and do mot promote accountability.

As promised, we have kept our election commitment and delivered $150 per household in education property tax reductions in our first two Budgets. We can now look forward to working with local governments and school boards to make other improvements in property taxation, while improving transparency and accountability, consistent with our election commitment.

Business Taxes

In our first year, we reduced subsidies to business by almost $16 million. We feel it is more transparent to offer reduced taxation levels rather than further subsidies to business.

Last year, the small business tax rate fell to 7%. At the beginning of this year, it fell to 6%, and I am pleased to confirm it will fall again, to 5%, on January 1, 2002 – a 37.5% reduction since 1999.

Today, I am announcing the reduced income tax rate for small business will now apply on taxable income up to $300,000 – a 50% increase from the current threshold of $200,000 – commencing January 1, 2002. This change helps small firms to grow, all the while remaining rooted here in Manitoba.

Today's Budget targets a reduction in the general rate of Corporation Income Tax from 17% to 15% in four equal, annual steps, starting January 1, 2002. This is an 11.7% reduction in the tax rate – the first general Corporation Income Tax rate reduction since the Second World War.

These tax reductions for business are expected to total $48 million when fully implemented. In the future, we will continue to reduce business subsidies.

Further support to local industry is detailed in the Budget Papers.

For both health promotion and revenue reasons, the Tobacco Tax rate will be increased effective midnight, April 10, 2001. The tax rate on cigarettes will increase from 8.6 cents to 9.6 cents per cigarette; on fine-cut tobacco, from 7.3 cents to 8.3 cents per gram; on raw leaf tobacco, from 6.0 cents to 7.0 cents per gram.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2001/02 and 2000/01

	2001/02 Budget	2000/01 3Q-Forecast	2000/01 Budget	Increase/(Decrease) from 3Q-Forecast to 2001/02 Budget		Increase/(Decrease) from 2000/01 Budget to 2001/02 Budget	
		(Millions of Dollars)		(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	4,676	4,650	4,487	26	0.6	189	4.2
Federal Transfers	2,127	2,115	1,927	12	0.6	200	10.4
Total Revenue	6,803	6,765	6,414	38	0.6	389	6.1
Expenditure							
Program	6,299	6,123	5,924	176	2.9	375	6.3
Debt Servicing	458	520	474	(62)	(11.9)	(16)	(3.4)
Total Expenditure	6,757	6,643	6,398	114	1.7	359	5.6
Net Revenue	46	122	16	(76)	(62.3)	30	187.5
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0	0.0	0	0.0
Fiscal Stabilization Fund	60	0	90	60	n/a	(30)	(33.3)
Balance Under Balanced Budget Legislation	10	26	10	(16)	(61.5)	0	0.0

TRANSPARENCY AND ACCOUNTABILITY

Last year, our Government took important steps to improve transparency and accountability. Changes in balanced budget legislation were recognized as both appropriate and long overdue.

We ended the characterization of interfund transfers as revenue. We legislated provisions to require repayment of all of Manitoba's pension and debt liabilities. We are now taking further steps to improve transparency and accountability.

- For the first time, we offer a summary budget presentation, where all Government entities are included.
- We will also produce an annual report incorporating the results not only for the operating fund but also for the entire Government entity, as called for by the Provincial Auditor.

- Legislation to clarify and strengthen the role of the Provincial Auditor will be introduced. This legislation is the result of more than a year's work with the Provincial Auditor.

Transparency involves full disclosure of obligations. Beginning in 1989, the government of the day entered into Water Power Rental agreements with Manitoba Hydro, with the corporation assuming costs related to Northern development initiatives.

Adding to transparency and accountability, we have terminated this agreement effective March 31, 2001. We commit to full disclosure of the history and all commitments covered by this agreement.

BALANCED BUDGET AND DEBT RETIREMENT

This Government has worked hard to ensure Manitoba's finances are on a sound and sustainable track. This Government's balanced approach to budgeting provides resources for priority programs, tax reductions, and debt repayment. Much has already been achieved over the last year.

Last year, for the first time, debt retirement payments totalling $96 million were achieved with no draw from the Fiscal Stabilization Fund. The previous administration withdrew well in excess of $500 million to fund ongoing government operations, even when the economy was doing well.

Medium-Term Fiscal Framework

	2000/01[1]	2001/02	2002/03	2003/04	2004/05
			(Millions of Dollars)		
Revenue	6,765	6,803	6,929	7,157	7,424
Expenditure					
Program Expenditure	6,123	6,299	6,425	6,593	6,860
Public Debt Costs	520	458	458	458	458
Total	6,643	6,757	6,883	7,051	7,318
Net Revenue	122	46	46	106	106
Interfund Transfers					
Debt/Pension Repayment	(96)	(96)	(96)	(96)	(96)
Fiscal Stabilization Fund	0	60	60	0	0
Balance Under Balanced Budget Legislation	26	10	10	10	10

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, budget decisions will reflect these changes.

Note 1: 3Q-Forecast.

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Note 1: 3Q-Forecast.

We project a positive balance of $26 million for the last fiscal year, which we will add to the Fiscal Stabilization Fund. In the past fiscal year, we set aside an additional $96 million for debt and pension payments, including a $21 million payment toward pension liabilities – the first such payment in 40 years.

In the current fiscal year, our plan includes:

- sustainable funding increases, averaging 5.6% over last year's budget, or 1.7% over projected expenditure, primarily directed to improving established public services such as health care and education;
- $96 million to pay down general purpose debt and pension liabilities;
- a Fiscal Stabilization Fund draw of less than one-third the amount budgeted in 1999/2000; and
- debt servicing costs of only 6.7% of revenue – the lowest level in two decades, and the third-lowest level in Canada.

Our Budget is balanced with a positive balance of $10 million, and our Medium-Term Fiscal Framework projects balanced budgets over its term.

Budget 2001 is balanced in every sense of the word.

CONCLUSION

Working hard today, to us, means fulfilling the election commitments we made – to help build a better Manitoba.

We live in a cynical age, where people often don't expect much from their governments.

We believe that by meeting and even exceeding our commitments to Manitobans, wherever we can, we will help turn around that cynicism.

In this Budget, we are keeping our pledges – and going further in many areas.

This Budget meets our election commitments to balance the budget, reduce property taxes, protect and enhance vital health care delivery, and give a strong boost to learning in our public schools and post-secondary institutions.

This Budget, however, also goes beyond our pledges, through measures like investing in necessary flood protection works, such as the expansion of the Red River Floodway, significant personal tax reductions, and tax reductions for Manitoba business.

Budget 2001 is balanced in every sense of the word. It is based on principles of fundamental fairness. And it sets a course for a prosperous and secure future for today's Manitoba families.

As we move forward, we will continue to work hard today, preparing for tomorrow.

BUDGET PAPERS

THE MANITOBA BUDGET

WORKING HARD TODAY. PREPARING FOR TOMORROW.

THE HONOURABLE
GREGORY F. SELINGER
MINISTER OF FINANCE

The 2001 Manitoba Budget

Budget Papers

The Honourable Gregory F. Selinger
Minister of Finance
April 10, 2001

This document is
available on the Internet at:
http://www.gov.mb.ca/finance
Other information available at this site includes:
The 2001 Manitoba Budget Address,
2001 Estimates of Expenditure,
2001 Estimates of Revenue,
the latest *Quarterly Financial Report* and
Highlights of Manitoba's Recent Economic Performance

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THE 2001 MANITOBA BUDGET

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BUDGET PAPER D – Taxation Adjustments

BUDGET PAPER E – The Manitoba Advantage

Also available in English and in French:

The 2001 Manitoba Budget Address

Budget Paper A

THE ECONOMY

THE ECONOMY

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CANADIAN ECONOMY

The Canadian economy grew 4.7% in real terms in 2000, up from 4.5% in 1999 (see Chart 1). Last year's growth rate was the strongest since 1994. Canada's nominal economic growth was 8.4%.

Canada's merchandise exports rose 15.6% in 2000, with strong growth in both U.S. and non-U.S. markets. Exports to the U.S., which accounted for 86% of Canada's foreign merchandise exports, rose 16.2%, while exports to non-U.S. markets increased 13.3%. Energy products led the growth in exports, but double-digit growth also occurred in exports of machinery and equipment and transportation services.

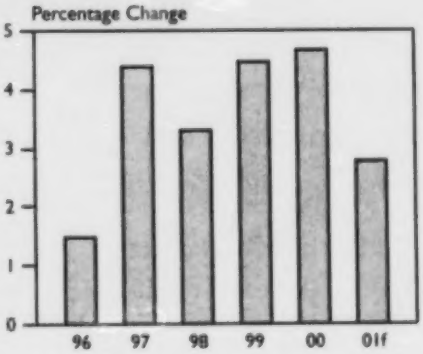
Employment growth of 2.6% in 2000 helped reduce Canada's unemployment rate to 6.8% from 7.6% in 1999 (see Chart 2), its lowest rate in 26 years. Tightening labour markets also helped push average weekly earnings up 2.3%. The positive performance of both employment and earnings contributed to Canada's 7.2% growth in labour income, while the federal government's pay equity settlement contributed about 0.5% to the growth rate. Personal income, which includes interest income and government transfers, increased 6.1%, up from 4.0% growth in 1999.

A summary of economic projections by seven private forecasters, compiled by Manitoba Finance, projects that Canada's employment growth will moderate to 1.7% this year, with the unemployment rate expected to increase marginally to 6.9%.

Corporate profits before taxes jumped 23.4% last year after an equally large increase in 1999. Oil and gas producers, and manufacturers, led corporate profit growth last year. Strong profit performance led to a 8.2% increase in non-residential business investment, with machinery and equipment

Chart 1

Canada Real Gross Domestic Product

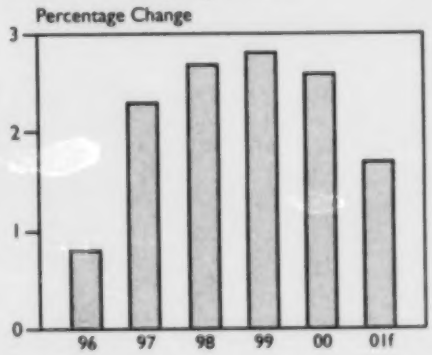


f - Forecast

Sources: 1996-2000: Statistics Canada
2001: average of seven private sector forecasts

Chart 2

Canada Employment

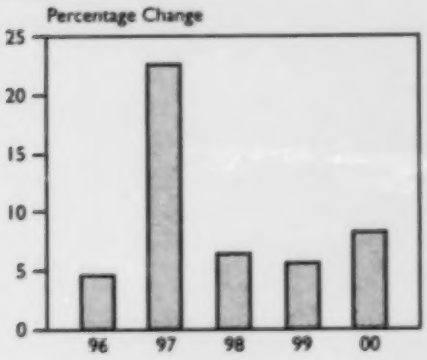


f - Forecast

Sources: 1996-2000: Statistics Canada
2001: average of seven private sector forecasts

Chart 3

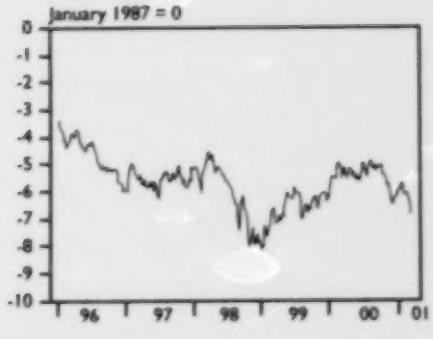
Canada Non-Residential Business Investment



Source: Statistics Canada

Chart 4

Canada Monetary Conditions Index



Source: Bank of Canada

Note: The index is a weighted average of interest rates and the exchange rate.

investment rising 8.9% after a 7.2% gain in 1999 (see Chart 3).

Sharp increases in energy prices in 2000 resulted in moderately higher consumer price inflation. Canada's Consumer Price Index (CPI) increased 2.7% last year, up from 1.7% in 1999. Despite the 16.2% increase in the energy component of CPI last year, Canada's core inflation rate (that is, excluding food and energy) increased only 1.5%, the same rate of increase as 1999. The survey of seven private forecasters projects Canada's consumer price inflation rate in 2001 will moderate to 2.4%. This remains within the Bank of Canada's inflation control target range of 1% to 3%.

After boosting interest rates early in 2000, the U.S. monetary authorities reduced the federal funds rate a full percentage point in January 2001, with a further 50 basis point reduction in March. These actions were taken in response to weakening production and consumer confidence in the U.S. In Canada, the Bank of Canada chose to ease rates more slowly, consistent with their view that economic conditions in Canada were substantially firmer than in the U.S. After boosting the bank rate by 100 basis points in the first half of 2000, the Bank of Canada reduced the rate by 75 basis points over the first quarter of 2001. These changes led to the tightening of the monetary conditions index in the first half of 2000 followed by a decline later in 2000 and into the first quarter of 2001 (see Chart 4).

The exchange rate value of the Canadian dollar declined through 2000. The average U.S. dollar exchange rate value was U.S. $0.673.

While Canada's economy grew robustly through most of last year, positive economic developments in Canada were overshadowed late in 2000 by concerns regarding the prospects for the United States economy.

After a relatively strong performance throughout the first half of 2000, economic conditions in the U.S., Canada's principal trading partner, deteriorated abruptly. Real Gross Domestic Product (GDP) rose only 1.0% at annualized rates in the final quarter, after slipping to 2.2% growth in the third quarter. Sharp declines in major U.S. stock markets, high prices for oil and natural gas, and the cumulative impact of significant increases in interest rates through late 1999 and the first half of 2000, contributed to uncertainty regarding the prospects of the U.S. economy, and consequently the Canadian economy, through 2001. Most economic forecasters now project growth for the U.S. this year of about 2.0%.

Despite the expected weaker performance of the U.S. economy in 2001, Canada's economic outlook for 2001 remains positive. The survey of private economic forecasters projects Canadian real growth for 2001 at 2.8%.

MANITOBA ECONOMY

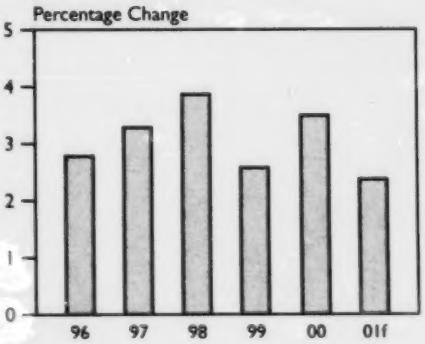
Manitoba's economy grew 3.5% in real terms in 2000, up from 2.6% in 1999 (see Chart 5). Strong growth in business investment along with strong gains in labour income were the principal factors which contributed to last year's improved economic performance.

Nominal GDP in Manitoba grew 5.7% last year to $33 billion.

The Manitoba Bureau of Statistics reports that real output in Manitoba's goods–producing industries, which accounts for 29% of provincial GDP, increased 3.2% after a 0.9% decline in 1999. Increases were led by the utilities, agriculture and mining industries. Real output in manufacturing increased 1.5% after a 0.9% increase in 1999.

Manitoba's economy grew 3.5% in real terms in 2000, up from 2.6% in 1999.

Chart 5
Manitoba Real Gross Domestic Product



f - Forecast

Sources: 1996-2000: Manitoba Bureau of Statistics
2001: average of seven private sector forecasts

Manitoba Real Gross Domestic Product at Factor Cost By Industry, 1999 And 2000(P)

(Millions of Constant 1992 Dollars)

	1999	2000(P)	% Change
Goods	**7,402**	**7,640**	**3.2**
Agriculture	868	925	6.6
Mining	507	533	5.0
Other Primary	67	68	1.5
Manufacturing	3,463	3,516	1.5
Construction	1,403	1,427	1.7
Utilities	1,094	1,171	7.0
Services	**17,729**	**18,375**	**3.6**
Transportation & Storage	1,609	1,659	3.1
Communications	1,256	1,345	7.1
Wholesale Trade	1,441	1,466	1.7
Retail Trade	1,400	1,455	4.0
Finance & Insurance	941	1,006	6.9
Real Estate	2,977	3,022	1.5
Business Services	1,034	1,097	6.1
Government	1,653	1,689	2.2
Education	1,452	1,504	3.5
Health & Social Services	2,174	2,236	2.8
Accommodation, Food & Beverage	668	709	6.1
Other Services	1,123	1,188	5.8
GDP at Factor Cost	**25,131**	**26,014**	**3.5**

(P) – Preliminary
Source: Manitoba Bureau of Statistics

Real output of Manitoba's service sector rose 3.6% after a 4.1% increase in 1999. Growth was led by the communications, finance and insurance, and business services industries.

Real business investment rose 8.9% in 2000. Machinery and equipment investment, which accounts for more than half of business investment, increased 13.5%. The rise in machinery and equipment investment by business accounted for almost one-third of the total increase in Manitoba's GDP last year. As a share of GDP, business investment has risen to 17.0% from 12.0% over the last five years.

Non-residential construction investment increased 8.0%, while business investment in residential structures rose only marginally. Overall corporate profits before taxes increased 8.1%.

Strong labour market performance helped push Manitoba's labour income growth up 7.3%. This strong growth in labour income boosted personal expenditure 4.8%.

In 2000, Manitoba posted 2.2% employment growth, the strongest annual employment growth since 1986.

Manitoba continued to experience tight labour markets in 2000. The unemployment rate was 4.9%, down from 5.6% in 1999. Manitoba's overall unemployment rate was the lowest in Canada for the third consecutive year. The unemployment rate is forecast to remain at 4.9% in 2001, according to Manitoba Finance's survey of seven private sector forecasters. The survey shows that total employment is projected to increase 1.1% in 2001.

Manitoba's average weekly earnings rose 3.5% last year, the strongest increase since 1991, and stronger than Canada's increase of 2.3%.

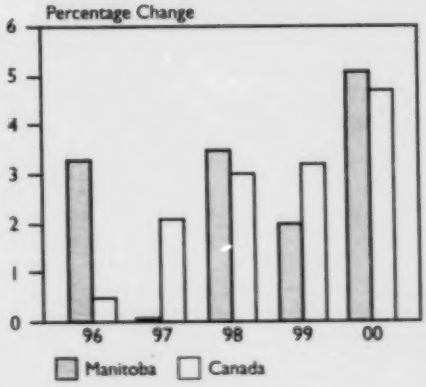
Total personal disposable income increased 5.6% in 2000, the strongest annual growth in 11 years. Per capita personal disposable income grew 5.1% in 2000, ahead of Canada's 4.7% growth (see Chart 6).

Manitoba's consumer price inflation in 2000 was 2.5%, up from 1.9% in 1999. The 9.7% increase in the energy component of Manitoba's CPI was principally responsible for the higher increase in 2000. Core CPI (that is, excluding food and energy) rose only 1.6%. Manitoba's inflation rate was below Canada's CPI increase of 2.7%. According to the survey of private forecasters, growth in Manitoba CPI is expected to continue to track below the national average at 2.3% in 2001 and 1.9% in 2002.

In 2000, Manitoba posted 2.2% employment growth, the strongest annual employment growth since 1986.

Chart 6

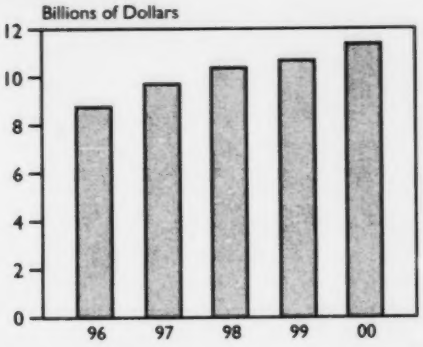
Personal Disposable Income Growth Per Capita, Manitoba and Canada



Sources: Manitoba Bureau of Statistics and Statistics Canada

Chart 7

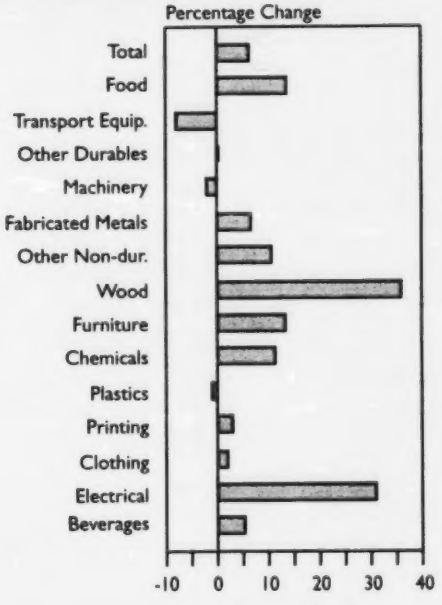
Manitoba Manufacturing Shipments



Source: Statistics Canada

Chart 8

Manitoba Manufacturing Shipments by Industry*, 2000



Source: Statistics Canada
* Ranked by size in descending order.

As in Canada, Manitoba's real economic growth in 2001 is expected to moderate. The survey of seven private forecasters shows that Manitoba's real GDP growth will decline to 2.4% from 3.5% in 2000. Manitoba's economy is projected to strengthen in the latter half of 2001, with continued good growth into 2002.

■ Manufacturing

Manufacturing is Manitoba's largest industry, accounting for about 14% of GDP. Manufacturing also accounts for two-thirds of the province's merchandise exports, and approximately 71% of exports to the United States. Manitoba's manufacturing sector is highly diverse, and includes a broad range of consumer and industrial goods.

Manufacturing shipments increased 6.5% in 2000 to $11.3 billion (see Chart 7). The total value of foreign exports of manufactured goods rose 5.6% last year. Over the last five years, Manitoba's manufacturing shipments have increased 39%.

Shipments by most manufacturing industries increased last year, with 11 of 14 industry categories posting gains (see Chart 8). Growth was led by a 35.9% increase in wood industries. Strong increases were also posted in food processing, electrical equipment, furniture and fixtures, and chemicals.

Shipments in food processing industries rose 13.8% in 2000 to $2.8 billion. Over the past several years, food processing in Manitoba has diversified and now includes a wide variety of processed meat, dairy, vegetable and grain/oilseeds products. Large increases in processed meats, associated with the new Maple Leaf Foods' hog processing facility in Brandon, helped boost processed foods shipments last year. Since 1994,

shipments in Manitoba's food–processing industries have increased 81%.

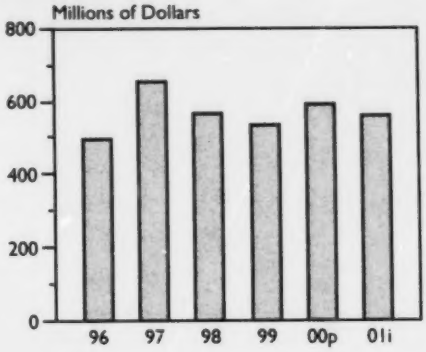
Investment in the manufacturing industry contributed significantly to the large increases in manufacturing shipments in the 1990s. Statistics Canada's Survey of Public and Private Investment indicates that manufacturing investment jumped 11.7% to $593 million last year, the second–highest level on record.

For 2001, the Survey projects the level of manufacturing investment will decline 5.9% (see Chart 9), somewhat better than the 7.1% decline in manufacturing investment expected for Canada overall.

Manufacturing led all industries in employment growth in 2000 with an increase of 9.8%. Over the last three years, manufacturing employment has increased by over 19%. Almost 71,000 Manitobans were employed in the manufacturing industry last year, accounting for approximately 13% of total employment – the highest percentage among Western Canadian provinces.

Chart 9

Manitoba Manufacturing Investment



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Source: Statistics Canada

■ Agriculture

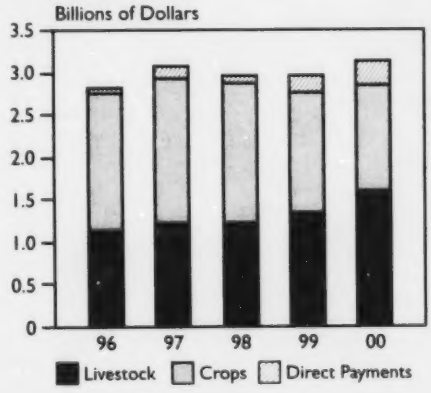
Manitoba has a large and diversified agriculture sector. In 2000, livestock production accounted for 56% of market receipts, while crops accounted for 44%. Within these categories, Manitoba farms marketed a wide variety of agriculture products.

Manitoba's total farm cash market receipts rose 3.3% last year. An increase in direct payments from agriculture programs, such as crop insurance and income stabilization programs, raised total receipts 5.5% over 1999 levels (see Chart 10).

Overall, livestock producers fared considerably better than crop producers last year. Receipts from livestock increased 18.9% to $1.6 billion with strong growth in several livestock production

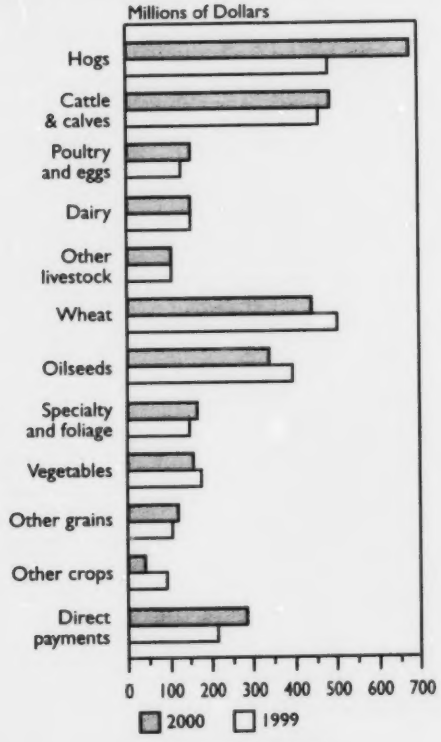
Chart 10

Manitoba Farm Cash Receipts



Source: Statistics Canada

Chart 11
Manitoba Farm Cash Receipts by Product, 2000 and 1999



Source: Statistics Canada

categories. This increase contrasted with the 11.2% decline in market receipts for crops due to weakness in both wheat and oilseeds (see Chart 11).

Hogs accounted for 22% of Manitoba's farm cash receipts in 2000. Farm cash receipts from hogs grew 41.1% in 2000, and have more than doubled over the past five years. Stronger demand for hogs, combined with reduced U.S. production, helped push up hog prices by over 30%. The growth in the volume of hogs produced was strong. Manitoba producers marketed about 13% more hogs than the previous year, and the expectation is that demand for hogs in Manitoba will continue to increase. Sharply higher hog processing activity in Manitoba over the next few years is expected to boost industry demand for hogs by Manitoba plants to 6.5 million head per year from 4.0 million head in 2000.

Cash receipts for cattle and calves grew 6.3% last year to $490.9 million. Average fed cattle prices increased 9.8% in 2000, while feeder steer and steer calf prices were up 13.4% and 16.8% respectively. Further increases in North American cattle prices are expected in 2001. Overall, the total volume of cattle production in Manitoba was little changed from the 1999 level.

Farm cash receipts from wheat declined 11.9% in 2000 after a 13.7% decline in 1999. While Manitoba producers increased both harvested area and crop yields, relatively weak prices pushed down overall wheat receipts. Prices recovered somewhat later in the year, and may strengthen further as world wheat supplies are expected to shrink in 2001.

Receipts from oilseeds (principally canola, but also flax and sunflower) declined 14.4% after a 44.8% decline in 1999. The total volume of both canola and flaxseed production declined last year as both seeded area and yield fell. Prices remained relatively weak in 2000 and are expected to remain relatively flat through 2001.

Manitoba produces a diverse range of other crops which, taken together, yield greater total farm cash receipts than either oilseeds or wheat. These include vegetables, oats, barley, forage crops and other specialized products. Farm cash receipts for these products grew 1.2% to $468.1 million in 2000.

Direct payments – various forms of income assistance to producers, including crop insurance, income stabilization and adjustment programs– increased 34.4% to $284.5 million. These payments were largely related to difficult conditions in the grains and oilseeds industries.

The Manitoba Bureau of Statistics estimates that, in 2000, real production in agriculture increased 6.6% after a 1.8% decline in 1999. Accrued net income of farm operators increased 43.7% in 2000 after a 39.9% decline in 1999. Generally, with crop receipts declining, the increase in agriculture GDP was related to strong market conditions for livestock and increased direct payments to producers.

The total value of mineral production in Manitoba jumped 40.8% to $1.26 billion, its highest level since 1990.

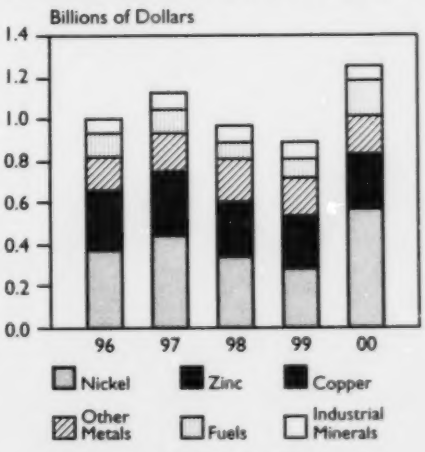
■ Mining

The total value of mineral production in Manitoba jumped 40.8% to $1.26 billion in 2000, its highest level since 1990 (see Chart 12). Last year's increase was the strongest in 12 years.

The value of nickel production more than doubled in 2000. The average price of nickel produced rose 44.6%, while the volume of nickel produced increased 42.3%. The significant increase in volumes produced was associated with the resolution of a labour dispute at Inco's Thompson facility in December 1999. In 1999, the three-month dispute resulted in a 35.8% reduction in the volume of nickel produced in Manitoba. Last year, nickel accounted for 45% of the total value of mineral production in Manitoba.

Zinc accounted for about 11% of Manitoba mineral production value in 2000. The total value of zinc produced slipped 2.5%, as a 4.8% increase

Chart 12
Manitoba Mineral Production



Source: Natural Resources Canada

Last year, total mining investment in Manitoba rose 89.6%, and is projected to increase further in 2001.

in price was offset by a 6.9% decline in production volumes. The value of copper production, which accounts for about 10% of Manitoba's mineral production, rose 4.5% with higher prices outpacing a 9.3% decline in production volumes. The value of gold produced declined 15.1%, largely due to reduced production volumes.

Large increases in the price of oil saw Manitoba's value of fuels production increase 75.7% to $169.7 million, its highest total since the mid-eighties.

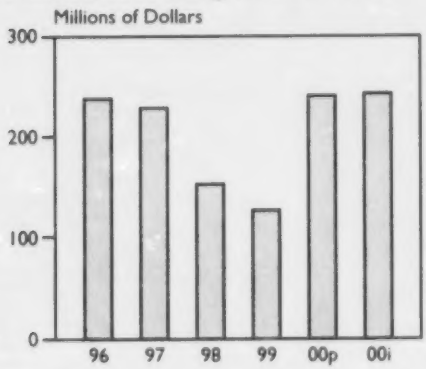
Manitoba also produces numerous other industrial and speciality minerals. These include cesium, limestone, dolomite, gypsum, and peat. Manitoba is also home to North America's only mine producing tantalum, a mineral used in telecommunications and aerospace equipment. Taken together, the value of production of these minerals last year was $162 million, an increase from the previous year of 9.1%.

Two of Manitoba's major mineral producers, Hudson Bay Mining and Smelting Co. and Inco Limited, have both announced significant multi-year investment projects for Manitoba. Last year, total mining investment in Manitoba rose 89.6%, and is projected to increase further in 2001 (see Chart 13).

Exploration expenditures in Manitoba declined 3.1% in 2000. Mineral exploration expenditures across Canada have declined over the past few years, as risk capital for mineral exploration has become more difficult to acquire. About 5% of national mineral exploration and deposit appraisal activity is conducted in Manitoba.

One of the major developments in Manitoba mineral exploration has been the sharp increase in diamond exploration activity. Over 60 diamond exploration permits have been issued since early in 2000. Large parts of Manitoba are covered by terrain that is considered promising for diamond deposits.

Chart 13
Manitoba Mining Investment



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Source: Statistics Canada

■ Hydro-Electricity

The value of electricity sales increased 9.8% in 2000, the thirteenth consecutive annual increase in sales. Total sales were valued at $1.3 billion. Exports accounted for a record high 35% of this total (see Chart 14).

The total value of export sales increased by $90.3 million, or 24.9% in 2000. Exports to the U.S. rose 27.2%, while sales to other provinces rose 17.8%. U.S. exports account for approximately three-quarters of total electricity exports from Manitoba. Over the decade, the value of electricity exports to the U.S. has increased tenfold, reaching $349 million last year.

Electricity sales within Manitoba increased 3.1% last year to $841 million.

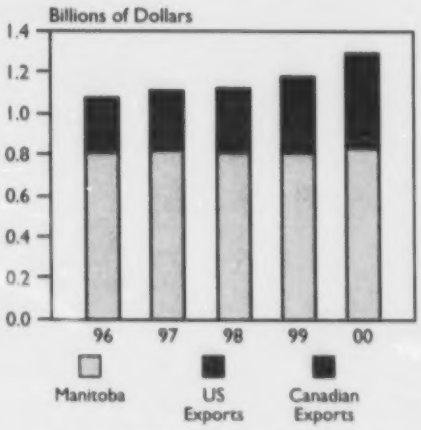
Manitoba Hydro is the province's largest electrical utility, accounting for the great majority of electricity generation, transmission and distribution in Manitoba. Virtually all of the electricity generated is from clean and self-renewing water energy. Currently, Manitoba Hydro has a generating capability of 5,000 megawatts.

Manitoba's hydro-electricity rates continue to be among the lowest in North America.

The utility is planning to add a natural gas combustion turbine facility in Brandon. The new plant is expected to begin operating in 2002 with a generating capability of 260 megawatts. Manitoba Hydro is also planning a $30 million conversion of the Selkirk thermal plant from coal to natural gas.

Manitoba Hydro has been recognized for initiatives aimed at continuing to promote environmental awareness and sustainable development. As Canada moves toward containing greenhouse gas emissions, Manitoba Hydro is positioned to play an important role by producing even more of North America's electrical energy through environmentally desirable hydro-electric energy generation.

Chart 14
Manitoba Hydro-Electricity Sales

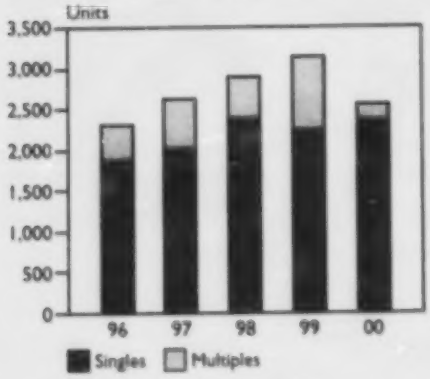


Source: Manitoba Hydro-Electric Board

Manitoba's hydro-electricity rates continue to be among the lowest in North America.

Chart 15

Manitoba Housing Starts



Source: Canada Mortgage and Housing Corporation

Housing

After four consecutive years of increases, Manitoba's housing starts declined in 2000. The number of total housing starts fell 18.3%, while national housing starts edged up 1.1%.

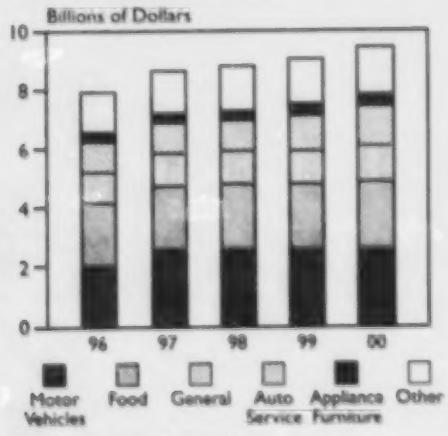
The decline in housing starts is entirely attributable to a decline in multiple-unit dwellings construction, following an unusually large expansion in multiple units in 1999. The large number of major apartment and row housing projects in Manitoba in 1999 contributed to a 71.2% jump in multiple units. In 2000, with the completion of these projects, multiple-unit construction declined 76.5% (see Chart 15).

Single-family housing starts in Manitoba posted a solid 5.2% increase in 2000, while the national level of single-family-unit housing starts was virtually unchanged from 1999.

The Canada Mortgage and Housing Corporation currently forecasts that total housing starts in Manitoba will increase by 2.9% in 2001.

Chart 16

Manitoba Retail Sales



Source: Statistics Canada

Retail Sales

Retail sales rose 4.2% to $9.4 billion in 2000. This was Manitoba's strongest retail sales growth since 1997 (see Chart 16).

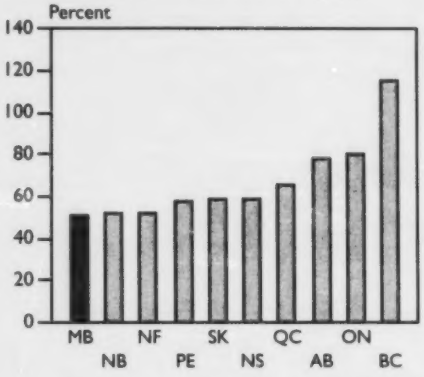
Retail sales growth was relatively balanced across Winnipeg and rural Manitoba. Last year, rural retail sales increased 4.1% while Winnipeg's increased 4.3%. This contrasts with 1999, when weakness in primary commodity industries contributed to a 1.3% decline in rural retail sales, while retail sales in Winnipeg advanced 5.7%.

Growth in retail sales was led by a 13.7% increase in the value of automotive service sales (including gasoline), and by a 10.4% increase in appliance and furniture sector sales. Food store sales increased by 6.6%. The only decline was in the

motor vehicle sector, where the value of sales fell 0.8% after a 0.9% decline in 1999.

Manitoba consumers have the lowest debt-to-income ratios in Canada. Household debt, including mortgage debt, credit card debt, and personal loans, equalled 51% of personal disposable income in 1999, well below the national average of 78% (see Chart 17).

Chart 17
Household Debt as a Percentage of Personal Disposable Income, 1999



Sources: Statistics Canada and Manitoba Finance

■ Tourism

Manitoba is a major travel destination for residents of other provinces as well as for visitors from the United States and other countries.

Total tourism expenditures are estimated to have increased 2% to $1.03 billion in 2000. Manitoba continued to attract more visitors from the U.S., as total U.S. direct entries climbed 1.9% last year. The Conference Board of Canada is forecasting continued growth in the tourism sector for 2001.

Manitoba has a successful history of hosting major national and international events. In 1999, Manitoba hosted the Pan-American Games, the largest multi-sport event ever held in Canada. This summer, Manitoba will host the International Society of Heart Research, with delegates expected from over 120 countries.

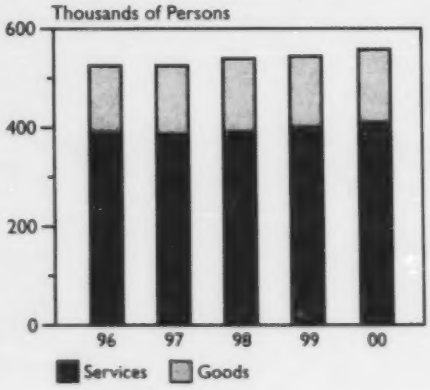
■ Labour Markets

Manitoba employment increased 2.2% in 2000, the strongest annual increase since 1986. Total employment grew by 11,700 (see Chart 18).

Full-time employment advanced 3.0% last year, while part-time employment declined 1.2%. Manitoba's youth employment (15–24 year olds) increased 3.1%.

Manitoba's unemployment rate fell sharply to 4.9% from 5.6% in 1999. In 2000, Manitoba recorded its lowest unemployment rate since 1976 and the lowest unemployment rate in Canada (see

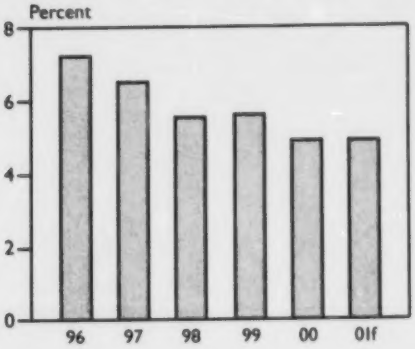
Chart 18
Manitoba Employment



Source: Statistics Canada

Chart 19

Manitoba Unemployment Rate

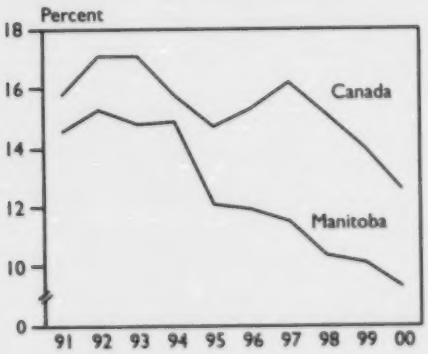


f - Forecast

Sources: 1996-2000: Statistics Canada
2001: average of seven private sector forecasts

Chart 20

Manitoba and Canada Youth Unemployment Rate



Source: Statistics Canada

Chart 19). The total number of unemployed declined 10.9% to 28,700.

Manitoba's youth unemployment rate declined to 9.3% from 10.1% in 1999. Manitoba had the lowest youth unemployment rate in Canada in both 1999 and 2000 (see Chart 20). 2000 was the first time Manitoba's youth unemployment rate fell below 10% since 1980.

Manufacturing industries led employment growth in 2000 with a 9.8% increase. This was the highest increase in manufacturing employment among provinces. Among service industries, education and health services led growth with an increase of 7.2%. Overall, employment in service-producing industries increased 2.5%, while employment in goods-producing industries increased 1.2%.

The survey of private sector forecasters shows that Manitoba's employment is expected to grow by 1.1%, or 6,100 jobs in 2001. The survey also shows the unemployment rate is projected to remain at 4.9% this year.

Manitoba's relatively tight labour market continued to encourage high levels of labour force participation. The labour force participation rate reached a new record level of 67.9% in 2000, up from 67.5% in 1999. This was the second-highest participation rate in Canada and well above the national rate of 65.9%. Likewise, Manitoba's employment rate – the ratio of employment to total working-age population – increased to 64.6%, also the highest level on record, and well above Canada's employment rate of 61.4% (see Chart 21).

■ Investment

Total capital investment in Manitoba is estimated to have increased 0.4% in 2000, according to Statistics Canada's Survey of Private and Public Investment (PPI).

Total public investment, which accounted for approximately one-quarter of capital investment in

Manitoba, is estimated to have increased by 2.2%. Private investment declined 0.2% (see Chart 22).

Capital investment in manufacturing, Manitoba's largest industry, rose 11.7% to $593 million, the second-highest level on record. Other significant increases in investment occurred in professional, scientific and technical services, mining, and retail trade. Transportation and warehousing and wholesale trade industries led investment declines.

For 2001, according to the PPI survey, preliminary indications are that total investment will decline by 0.5%. Public capital investment is expected to increase 1.9%, while private capital investment is expected to decline by 1.4%. Overall, the survey shows that seven of the ten provinces are expected to see declines in private capital investment in 2001.

The total value of building permits issued in Manitoba in 2000 declined 2.9% to $853.9 million. Residential building permits slipped 5.3% while non-residential permits decreased 1.2%.

Manitoba continues to attract major capital investment in a variety of industries. Some examples of investment projects being undertaken at this time, or expected to commence in 2001 include:

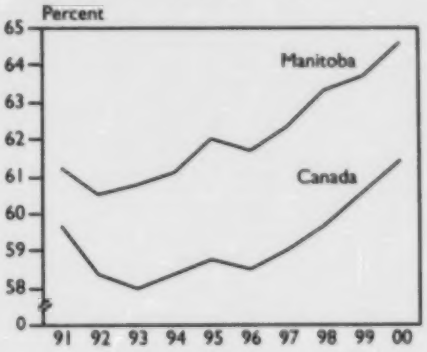
Tembec Inc. is completing a $125 million investment in the Pine Falls paper plant with the installation of a new thermo-mechanical pulp process.

MTS is investing $300 million in ADSL fibre optics to provide 85% of Manitobans with ultra high-speed broadband capabilities.

Albchem is building a new $40 million sodium chlorate manufacturing facility in Virden, while **Nexen Chemicals** is undertaking a $50 million expansion of its sodium chlorate plant in Brandon.

Chart 21

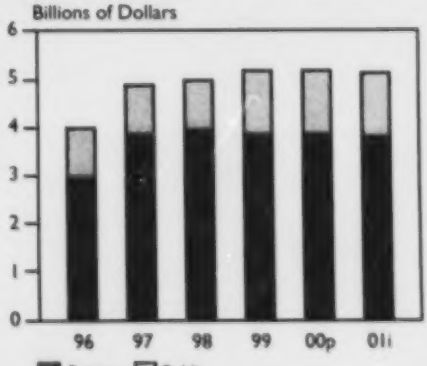
Manitoba and Canada Employment Rate



Source: Statistics Canada

Chart 22

Manitoba Capital Investment



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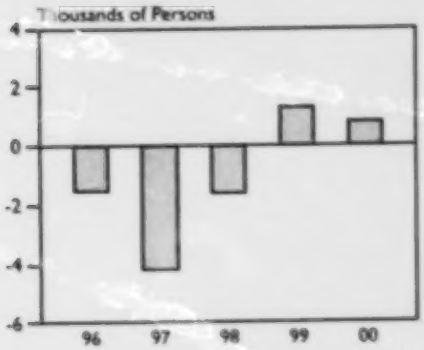
Source: Statistics Canada

Chart 23
Manitoba Net Migration



Source: Statistics Canada; 2000 is estimate by Manitoba Bureau of Statistics

In 1999, total net migration, which includes all categories of migration to and from Manitoba, was positive for the first time since 1985.

J.R. Simplot will be investing $120 million beginning next year in the first phase of a new potato processing plant near Portage La Prairie; the plant will employ 230 people directly.

Group Telecom Inc. announced further investments of $7.5 million in its Winnipeg operations; Group Telecom provides Winnipeg with data products and advanced technology infrastructure, including a 10,000 fibre-kilometre telecommunications network in Manitoba.

Color Ad Packaging Inc. is investing $10 million in a new advanced packaging facility, creating over 50 jobs to produce packaging material for the North American food and beverage processing market.

■ Population

In 2000, Manitoba posted its strongest population growth in five years. Total population at July 1, 2000 grew 0.5% from the previous year. The official July 1 population was 1,147,900.

Manitoba continued to enjoy positive overall net migration in 2000. In 1999, total net migration, which includes all categories of migration to and from Manitoba, was positive for the first time since 1985, with a total net migration of 1,272. The Manitoba Bureau of Statistics (MBS) estimates that for 2000, total net in-migration was 800 (see Chart 23).

Total net interprovincial out-migration for 2000 is estimated by MBS at 2,400, up from 1,435 in 1999. While higher than the previous year, total net interprovincial out-migration in 2000 remained well below the recent five-year average of about 3,670.

Manitoba continued to receive relatively high levels of positive international net migration. Manitoba attracted about 4,600 immigrants from other countries in 2000, the highest inflow since 1993. Net international migration for 2000, including

non-permanent residents, is estimated by MBS at 3,200, up from 2,707 in 1999 (see Chart 24).

■ Foreign Markets

Total merchandise exports increased 7.7% in 2000. Exports to the U.S., which account for 79% of Manitoba merchandise exports, increased 5.8% after posting a 7.0% increase in 1999. Exports to non-U.S. foreign markets increased 15.4% following a decline of 21.6% in 1999 (see Chart 25).

Manitoba's total foreign exports were equal to about 30% of Manitoba GDP, well below the national average of 46%.

All industry categories posted higher foreign exports in 2000. Manitoba's manufacturing exports advanced 5.6% to $5.6 billion. The value of agriculture products destined for foreign markets was up 7.1%. Other primary commodity exports increased by 13.8%.

The United States is Manitoba's largest foreign market, accounting for 79% of total foreign commodity exports. Commodity exports to the U.S. rose 5.8% last year. Exports to most other major markets also increased.

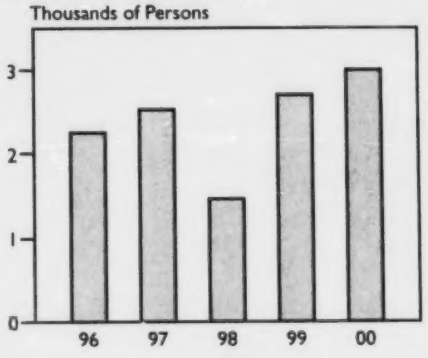
Manitoba ships a wide variety of goods to other countries. Major export commodities include buses, aerospace equipment, furniture, electrical energy, grains and livestock, fabricated metals and vegetables.

■ Manitoba Economic Outlook

To an important degree, Manitoba's economic situation in 2001 depends on developments in the rest of Canada and the United States.

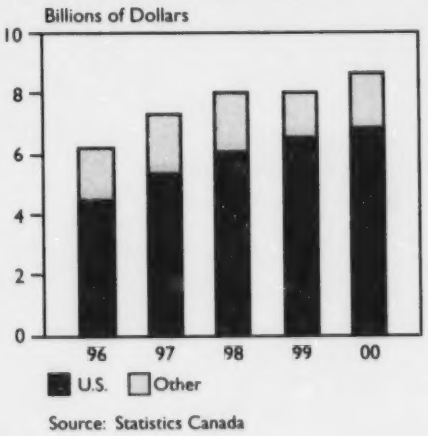
After a strong rebound in real growth last year, Manitoba's economic growth is expected to moderate in 2001. Like most provinces, Manitoba is expected to face lower demand for exports, along with slower growth in employment and incomes.

Chart 24
Manitoba Net International Migration



Source: Statistics Canada; 2000 is estimate by Manitoba Bureau of Statistics

Chart 25
Manitoba Foreign Exports



Source: Statistics Canada

Like most provinces, Manitoba is expected to face lower demand for exports, along with slower growth in employment and incomes.

The Manitoba Outlook survey of seven private forecasts shows real growth is expected to decline to 2.4% in 2001, with a rebound in growth to 2.8% growth in the following year, as Manitoba's economy recovers in the latter part of 2001. This compares with projected real growth for Canada of 2.8% in 2001 and 3.3% in 2002. Manitoba's nominal GDP is expected to increase 4.0% in 2001 and 4.2% in 2002.

Employment growth is forecast to be 1.2% in 2001 and 1.4% in 2002. Manitoba's unemployment rate is projected to remain at 4.9% in 2001 and decrease to 4.8% in 2002.

Manitoba Outlook at a Glance

	2000	2001	2002
	(Percentage Change Except as Noted)		
Gross Domestic Product			
Nominal	5.7	4.0	4.2
Real	3.5	2.4	2.8
Employment	2.2	1.1	1.4
Unemployment Rate (%)	4.9	4.9	4.8
CPI	2.5	2.3	1.8

Sources: 2000 are actual from Statistics Canada and Manitoba Bureau of Statistics; 2001 and 2002 are average of private sector forecasts

Manitoba Foreign Exports

BY INDUSTRY	1996	1997	1998	1999	2000	2000 Share
			(Millions of Dollars)			(%)
Manufacturing						
Transportation Equipment	636.2	749.7	1,048.1	1,229.6	1,052.2	12.1%
Food and Beverages	547.0	665.9	1,043.0	838.4	815.5	9.4
Primary Metals	358.6	551.5	716.0	608.1	690.2	7.9
Machinery	625.2	766.1	718.4	503.9	584.8	6.7
Wood	207.1	266.8	351.8	505.6	542.0	6.2
Chemicals	116.3	131.1	232.0	333.6	359.1	4.1
Paper and Allied	235.1	237.4	236.2	240.9	279.8	3.2
Electrical	232.4	296.5	303.7	235.7	275.1	3.2
Clothing and Textiles	85.2	116.9	136.4	157.7	193.2	2.2
Plastics	98.7	109.8	137.4	170.0	178.6	2.1
Furniture and Fixtures	102.8	132.1	131.1	128.0	158.2	1.8
Printing, Publishing and Allied Industries	46.5	65.3	92.9	101.4	124.9	1.4
Fabricated Metal Products Industries	57.8	63.8	76.6	72.0	116.2	1.3
Other Manufacturing	165.0	190.2	181.2	222.7	275.4	3.2
Total Manufacturing	**3,513.9**	**4,343.2**	**5,404.9**	**5,347.5**	**5,645.1**	**65.0**
Agriculture	1,723.6	2,019.2	1,775.2	1,598.5	1,712.8	19.7
Electricity	284.8	309.8	356.2	343.0	442.7	5.1
Other Primary	534.5	479.2	354.3	550.5	626.2	7.2
Other Exports	162.8	162.6	177.9	222.9	256.6	3.0
Total Exports	**$ 6,219.6**	**$ 7,313.9**	**$8,068.5**	**$ 8,062.5**	**$8,683.4**	**100.0**
BY DESTINATION						
United States	4,508.7	5,381.5	6,068.5	6,495.3	6,874.6	79.2
Japan	364.2	435.9	403.5	378.3	392.8	4.5
Mexico	87.2	93.3	141.1	105.5	139.5	1.6
China	243.8	147.6	228.3	169.9	135.7	1.6
Belgium	129.6	149.5	119.1	88.2	124.2	1.4
Hong Kong	31.3	26.9	231.8	57.1	116.1	1.3
Iran	62.1	115.7	24.8	70.4	98.0	1.1
United Kingdom	85.9	78.6	108.7	68.3	61.1	0.7
Taiwan	47.9	47.4	64.4	33.8	55.0	0.6
Korea, South	53.3	80.9	21.2	23.5	36.1	0.4
Other Countries	605.7	756.7	657.2	572.3	650.2	7.5
Total Exports	**$ 6,219.6**	**$7,313.9**	**$8,068.5**	**$ 8,062.5**	**$ 8,683.4**	**100.0**

Note: Export numbers to the United States exclude $949.4 million for coins.
Source: Manitoba Bureau of Statistics

Much of Manitoba's strength in research and innovation arises from work undertaken at its universities.

RESEARCH AND INNOVATION

Research and innovation are at the heart of productivity growth and improved living standards. The innovation that has arisen from research and development activities has contributed to the diversification of the provincial economy, as well as the overall economic well-being of Manitobans.

The current level of gross expenditure on research and development (R & D) in Manitoba is estimated to be equal to about one percent of Manitoba's GDP. Industry, government and universities all undertake significant R & D expenditure programs in Manitoba.

According to Statistics Canada, there are about 200 distinct private sector R & D groups in Manitoba, employing almost 1,000 persons (expressed as full-time equivalents) in research activities.

R & D programs are being implemented in a number of disciplines, including engineering sciences, information and communication technologies, pharmaceuticals, biotechnology, agriculture and food processing. Firms such as Cangene Corporation, Medicure Inc., Apotex, Vansco Electronics, and Bristol Aerospace are all active in applied research and development in Manitoba.

Manitoba is home to a number of public research and development facilities. These include the new $142 million Canadian Science Centre for Human and Animal Health, the National Research Council's Institute of Biodiagnostics, the Manitoba Industrial Technology Centre, the Food Development Centre and the recently established National Centre for Agri-Food Research in Medicine.

Much of Manitoba's strength in research and innovation arises from work undertaken at its universities. These institutions provide the knowledge and the skilled work force necessary for a successful 21st century economy, and serve as a training ground for the next generation of researchers.

The University of Manitoba, the largest of Manitoba's four universities, is a cornerstone in Manitoba's research environment. The University is internationally recognized for its research achievements in many areas, including: applied nutritional sciences, archaeology, biomedical sciences, environmental sciences, engineering, health, and sustainable agriculture.

Research chairs and specialized research facilities have been established to ensure the University's continued leadership position in many important fields, including medicine. The University's biomedical research activities are further strengthened through active partnerships with several provincial medical research bodies, including: Cancer Care Manitoba, the Health Sciences Centre, St. Boniface General Hospital Research Centre, and the Childrens' Hospital Foundation.

The University of Manitoba is an active participant in the national networks of centres of excellence program. Currently, the University's researchers participate in 15 of the 22 networks created under this program, and is the headquarters of Intelligent Sensing for Innovative Structures Canada, the national network focusing on "smart" civil infrastructure. Networks in which the University participates include: genomics, bacterial and genetic diseases, arthritis, telecommunications, infectious diseases, stroke, sustainable forest management, water, health information, robotics, innovative civil structures, micro-electronic devices, and photonics.

Made in Manitoba: Winnipeg's Bristol Aerospace is building the Canadian Space Agency's SCISAT-1, Canada's first science satellite since 1971. The satellite mission will help scientists better understand the chemical processes involved in the depletion of the ozone layer in the earth's atmosphere.

Research by the Conference Board of Canada has found that Canada maintains the most favourable tax system for research and development among major industrialized countries. Manitoba's R & D support was substantially more attractive than any of the ten U.S. states examined, and better than that of most provinces.

Provincial programs of grants and contributions support post-secondary research programs. In 2000/01, support for university research and innovation through grants and contributions from the Province and Provincial agencies totalled over $13 million. This includes almost $7 million provided through the Manitoba Innovations Fund.

SMARTpark, the new research and innovation technology park at the University of Manitoba, will bring together industry and the University to promote R & D and the growth of knowledge-based industries. One of the key features of the park is the proximity and access to the knowledge and skills of the University's faculty and its 21,000 full-time students.

Canadian tax rules allow 100% deduction for both current and capital expenditures on R & D. In addition, private R & D activity in Manitoba is supported by the Manitoba Research and Development Tax Credit. This non-refundable Credit provides a reduction in Provincial Income Tax equal to 15% of qualifying R & D expenditures. It is estimated that over 100 firms benefited from the Manitoba R & D Tax Credit in 2000, with total Provincial Tax Credit support of approximately $12 million.

Research by the Conference Board of Canada has found that Canada maintains the most favourable tax system for research and development among major industrialized countries. Manitoba's R & D support was substantially more attractive than any of the ten U.S. states examined, and better than that of most provinces.

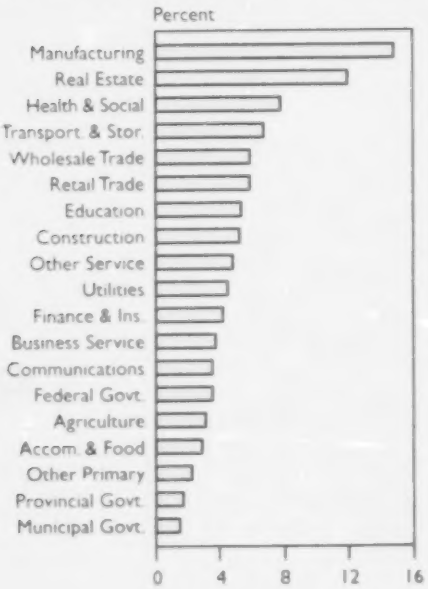
Examples of Provincial Grants Support for Research, Development and Innovation in Manitoba Universities, 2000/01

	Funding (Thousands of Dollars)
Agri-Food Research and Development Initiative	1,032
Stored Grain Ecosystem (Manitoba Innovations Fund)	514
Sustainable Crops Production Systems (Manitoba Innovations Fund)	486
Other Agriculture and Food	891
Conservation and Forestry including the Sustainable Development Innovations Fund	92
Manitoba Health Research Council Grants	1,387
Health Centres of Excellence	384
Manitoba Health Research Initiative	1,417
Breast Cancer Research (Manitoba Innovations Fund)	730
Manitoba Centre for Proteomics (Manitoba Innovations Fund)	572
Traffic Information Group and Innovative Structures	63
Software Adaptive Antennas for Broadband Wireless Communications (Manitoba Innovations Fund)	599
Electron Microprobe for Minerology (Manitoba Innovations Fund)	616

"Winnipeg is the most diverse economic centre in Canada. Moody's Investor Service gave the Manitoba city top ranking in the country in terms of the economic diversity of its workforce."

Financial Post
October 2000

Chart 26
Shares of Manitoba Gross Domestic Product, 2000



Source: Manitoba Bureau of Statistics

THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Manitoba is widely recognized as having a diverse and stable economy (see Chart 26).

Recently, a study by Moody's Investors Service of Canadian cities found that Winnipeg had Canada's most economically diverse economy.

New developments in traditional industries have provided opportunities for Manitoba businesses to expand into new products and new markets. This continuing broadening of Manitoba's industrial base will provide greater economic stability for Manitobans in the face of changing global economic conditions.

Primary industries have traditionally played an important role in Manitoba's economic growth and development. Agriculture, mining and other primary industries equal about six percent of GDP directly. Manitoba's agriculture industry has diversified significantly over the past several years. Manitoba producers have adopted new crop and livestock varieties. Agriculture also has strong linkages to Manitoba's $2.8 billion food-processing industries.

Manufacturing has grown rapidly over the past several years and is Manitoba's largest industry. With $11.3 billion in shipments last year, manufacturing now accounts for about 14% of total provincial output. Manitoba manufacturers have proven remarkably successful at achieving export growth, with foreign exports growing 79% over the past five years. Manitoba is North America's largest producer of intercity and urban buses. Canada's largest furniture plant, Palliser Furniture, is located in Manitoba. Winnipeg is one of Canada's most significant centres for the aerospace industry, which employs almost 4,000 Manitobans. Shipments from the rapidly growing chemicals industry have doubled over the past eight years, with more investments slated for 2001.

The development of Manitoba's higher value-added industries is illustrated by changes in Manitoba's foreign commodity exports. Since 1996, the share of primary commodity exports (including unprocessed agriculture commodities) relative to the total has declined from 41% to 32% in 2000. Meanwhile, manufacturing exports have climbed from 56% to 65% of foreign commodity exports over the same period.

One factor that has provided Manitoba with economic stability is the large service sector. Service-producing industries account for 71% of GDP, higher than the Canadian level of 67%, and 75% of total employment.

Manitoba's large service sector tends to be less susceptible to fluctuations through the business cycle than most goods-producing industries. The province is home to many major service sector operations, including the head offices of Canada's largest life insurer, Great-West Life, and Canada's largest mutual fund company, Investors Group. Overall, Winnipeg has one of the highest concentrations of insurance and finance industries among major Canadian cities. The International Institute for Sustainable Development, the Canadian Wheat Board, CanWest Global Communications and several of Canada's major trucking companies are headquartered in Winnipeg. Winnipeg is also a major centre for Canada's cargo transportation and storage industries.

Research and innovation are playing a more significant role in Manitoba's economy. As well as being a vibrant sector of the economy, research and development underpins significant innovation in many Manitoba industries. The development and diffusion of innovations can strengthen communities and provide benefits for all Manitobans. A number of major research establishments are located in Manitoba, with significant activity in medical and pharmaceutical research, aerospace, machinery and engineering.

"Manitoba has successfully diversified its economic base, with Winnipeg recently named the most diverse centre in Canada by Moody's. That diversity – highlighted by a large and rapidly expanding service sector – has positioned the province for solid and stable growth going forward."

BMO Nesbitt Burns
November 2000

Manitoba Economic Statistics, 1996 to 2000

	1996	1997	1998	1999	2000
	(Millions of Dollars)				
SECTORS					
Farm Cash Receipts	2,816	3,076	2,972	2,972	3,137
Crops	1,638	1,726	1,655	1,428	1,268
Livestock	1,122	1,208	1,225	1,333	1,585
Direct Payments	56	142	92	212	285
Manufacturing	8,737	9,727	10,372	10,656	11,345
Mineral Production	1,002	1,126	967	895	1,260
Electric Power Sales	1,073	1,111	1,130	1,179	1,295
Export Sales	257	289	321	363	454
Housing Starts (no. of units)	2,318	2,612	2,895	3,133	2,560
Retail Trade	7,920	8,589	8,772	9,023	9,404
FOREIGN TRADE					
Total Exports	6,220	7,314	8,069	8,062	8,683
USA	4,509	5,382	6,068	6,495	6,875
GROSS DOMESTIC PRODUCT					
Nominal	28,425	29,359	30,220	31,228	32,993
Real	26,240	27,107	28,177	28,908	29,924
BASE RATE WAGE SETTLEMENTS (%)					
Public	0.0	1.0	1.2	2.5	2.5
Private	1.9	1.9	1.6	2.9	3.0
Total	0.2	1.1	1.4	2.5	2.5
INVESTMENT					
Total	3,978	4,882	4,991	5,159	5,180
Private	2,939	3,858	3,961	3,831	3,823
Public	1,039	1,024	1,030	1,328	1,358
Non-residential	3,246	4,064	4,102	4,161	4,149
Housing	732	819	889	998	1,032
POPULATION					
July 1 (000's)	1,134	1,137	1,138	1,143	1,148
LABOUR MARKET					
Labour Force (000's)	558.9	562.0	566.8	574.8	583.2
Employment (000's)	518.6	525.6	535.7	542.7	554.4
Participation Rate (%)	66.5	66.6	67.0	67.5	67.9
Unemployment Rate (%)	7.2	6.5	5.5	5.6	4.9
CONSUMER PRICE INDEX					
(Index, 1992=100)	109.2	111.6	113.0	115.2	118.1
BANKRUPTCIES					
Business	293	292	266	216	253
Farm	24	19	27	29	18
Personal	2,747	2,770	2,422	2,466	2,475

Sources: Statistics Canada and Manitoba Bureau of Statistics

1996	1997	1998	1999	2000	
(Annual Percentage Change)					
					SECTORS
11.6	9.3	-3.4	0.0	5.5	Farm Cash Receipts
13.8	5.4	-4.1	-13.7	-11.2	Crops
16.5	7.7	1.4	8.8	18.9	Livestock
-53.2	152.8	-35.2	129.9	34.4	Direct Payments
7.1	11.3	6.6	2.7	6.5	Manufacturing
-2.0	12.4	-14.1	-7.5	40.8	Mineral Production
4.5	3.6	1.6	4.4	9.8	Electric Power Sales
3.3	12.5	11.2	13.0	24.9	Export Sales
18.1	12.7	10.8	8.2	-18.3	Housing Starts (no. of units)
6.6	8.4	2.1	2.9	4.2	Retail Trade
					FOREIGN EXPORTS
14.0	17.6	10.3	-0.1	7.7	Total Exports
13.9	19.4	12.8	7.0	5.8	USA
					GROSS DOMESTIC PRODUCT
5.4	3.3	2.9	3.3	5.7	Nominal
2.8	3.3	3.9	2.6	3.5	Real
					BASE RATE WAGE SETTLEMENTS (%)
-	-	-	-	-	Public
-	-	-	-	-	Private
-	-	-	-	-	Total
					INVESTMENT
4.3	22.7	2.2	3.4	0.4	Total
9.0	31.3	2.7	-3.3	-0.2	Private
-7.0	-1.4	0.5	29.0	2.2	Public
4.9	25.2	0.9	1.4	-0.3	Non-residential
1.7	11.9	8.6	12.3	3.4	Housing
					POPULATION
0.4	0.2	0.1	0.4	0.5	July 1 (000's)
					LABOUR MARKET
0.0	0.6	0.9	1.4	1.5	Labour Force (000's)
-0.1	1.3	1.9	1.3	2.2	Employment (000's)
-	-	-	-	-	Participation Rate (%)
-	-	-	-	-	Unemployment Rate (%)
					CONSUMER PRICE INDEX
2.2	2.2	1.3	1.9	2.5	(Index, 1992=100)
					BANKRUPTCIES
39.5	-0.3	-8.9	-18.8	17.1	Business
140.0	-20.8	42.1	7.4	-37.9	Farm
10.1	0.8	-12.6	1.8	0.4	Personal

Budget Paper B

FINANCIAL REVIEW AND STATISTICS

FINANCIAL REVIEW AND STATISTICS

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Introduction

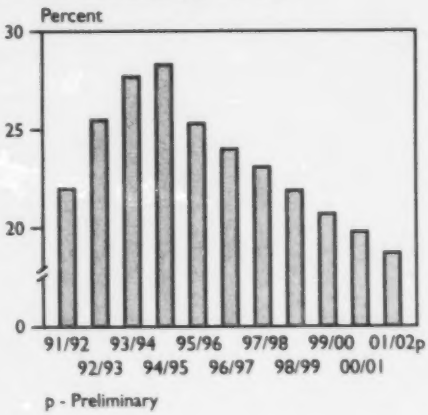
The 2001 Manitoba Budget continues the Government of Manitoba's commitment to provide fair and responsible government. The decisions reflected in the Budget provide an appropriate balance between effectively addressing the financing requirements of priority programs, providing tax relief and sustaining the long-term plan to pay down all outstanding general purpose debt and pension obligations.

In the past year, the Government outperformed its 2001 budget targets. While there were additional unbudgeted expenditures related to support for agricultural producers, to debt costs associated with a lower Canadian dollar, and to health and post-secondary education programs, the Government provided for these exceptional expenditures out of current year revenue. Furthermore, careful management also allowed the Government to forego the $90 million budgeted draw on the Fiscal Stabilization Fund. This is the first time since 1996/97, when the Manitoba Telephone System was sold, that the Government will not be relying on this Fund to balance the budget. The projected positive balance of $26 million is being added to the Fiscal Stabilization Fund.

The 2001 Budget addresses new challenges, while building on the progress already achieved.

- $40 million will be committed as a first step in a long-term plan to expand the capacity of the Red River Floodway.
- Commitments to health, education and other priority programs are kept within a balanced budget.
- Building on last year's Budget, and with the additional announcements in this Budget, Manitobans are benefiting from the largest reduction in property and provincial income taxes ever experienced over a two-year period in this province.
- A comprehensive long-term plan was implemented last year to pay down debt and pension obligations. With a further instalment of $96 million this year, net general purpose debt as a percentage of GDP will fall to 18.7%, 34% below its peak of 28.3% in 1994/95. In the past year, net general purpose debt fell below 100% of revenue from its peak of 141.5% in 1994/95. Public debt costs, at 6.7% of total revenue, will be at their lowest relative level since 1982/83.

Net General Purpose Debt as a Percentage of GDP



p - Preliminary

These are the solid accomplishments of continuing with our balanced approach. They will enhance our reputation as the best place to live, work and raise a family. This is our Manitoba Advantage.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2000/01

	02000/01 3Q-Forecast	2000/01 Budget	Increase/(Decrease) From Budget to 3Q-Forecast	
	(Millions of Dollars)		(Millions of Dollars)	%
Revenue				
Own-Source	4,650	4,487	163	3.6
Federal Transfers	2,115	1,927	188	9.8
Total Revenue	6,765	6,414	351	5.5
Expenditure				
Program	6,123	5,924	199	3.4
Debt Servicing	520	474	46	9.7
Total Expenditure	6,643	6,398	245	3.8
Net Revenue	122	16	106	n/a
Interfund Transfers				
Debt/Pension Repayment	(96)	(96)	0	0.0
Fiscal Stabilization Fund	0	90	(90)	(100.0)
Balance Under Balanced Budget Legislation	26	10	16	;60.0

■ 2000/01 Results

The Government will post a strong fiscal performance in the 2000/01 fiscal year. Third Quarter revenue projections are substantially higher than budgeted. Expenditure is also higher than budgeted due to a number of factors outlined below. Year-end accounts have not been finalized, but are expected to be close to the amounts reflected in the Third Quarter Report.

Revenue

Own-source revenue exceeded estimates, providing an additional $163 million in taxes and other collections. Most of this increase can be attributed to positive prior years' adjustments in respect of personal and corporation taxes. Transfer revenue from the federal government, including positive prior years' adjustments, exceeded budget by $188 million.

Expenditure

Program expenditure exceeded budgeted amounts by $199 million, reflecting significant increases in agriculture support, health care and education. Debt servicing costs have risen, reflecting the deterioration in the Canada/U.S. exchange rate over the past year.

Net Revenue

The Third Quarter Report projected net revenue, before debt repayment of $122 million, is $106 million higher than budgeted.

Balance Under Balanced Budget Legislation

After provision of $96 million to the Debt Retirement Fund, a positive balance of $26 million is projected, $16 million above the budgeted figure. The balance will be transferred to the Fiscal Stabilization Fund. The positive balance will be achieved without using the $90 million budgeted draw from the Fiscal Stabilization Fund. For the first time since the sale of the Manitoba Telephone System, no draw from the Fiscal Stabilization Fund will be required.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2001/02 and 2000/01

	2001/02 Budget	2000/01 3Q-Forecast	2000/01 Budget	Increase/ (Decrease) from 3Q-Forecast to 2001/02 Budget		Increase/ (Decrease) from 2000/01 Budget to 2001/02 Budget	
		(Millions of Dollars)		(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	4,676	4,650	4,487	26	0.6	189	4.2
Federal Transfers	2,127	2,115	1,927	12	0.6	200	10.4
Total Revenue	6,803	6,765	6,414	38	0.6	389	6.1
Expenditure							
Program	6,299	6,123	5,924	176	2.9	375	6.3
Debt Servicing	458	520	474	(62)	(11.9)	(16)	(3.4)
Total Expenditure	6,757	6,643	6,398	114	1.7	359	5.6
Net Revenue	46	122	16	(76)	(62.3)	30	187.5
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0	0.0	0	0.0
Fiscal Stabilization Fund	60	0	90	60	n/a	(30)	(33.3)
Balance Under Balanced Budget Legislation	10	26	10	(16)	(61.5)	0	0.0

2001/02 Budget

Revenue

Own-source revenue in 2001/02 is budgeted to be $26 million higher than forecast for 2000/01 and $189 million above the 2000/01 budget print. The 2000/01 results projected in the Third Quarter Forecast include substantial amounts with respect to prior years' adjustments of payments from the Income Tax Agreements. The 2001/02 revenue projections reflect tax reductions introduced in the 2000 and 2001 Budgets, and slower economic growth prospects (see Budget Paper A – The Economy). However, budget-to-budget increases reflect stronger performance in 2000 than projected at the time of the 2000 Budget.

Similarly, transfer revenue from the federal government is expected to be $12 million higher than forecast for 2000/01, and $200 million above the 2000/01 budget estimate. There are large positive prior years' adjustments in the forecast for 2000/01 for the Canada Health and Social Transfer and Equalization Program.

Expenditure

The 2001 Budget provides for an increase in program expenditure of $176 million from that forecast for 2000/01, and $375 million above the 2000/01 budget estimate. This increase reflects significant increases in agriculture support, health care and education, and $40 million for the Red River Floodway. Debt servicing costs decline in 2001/02 due to a number of factors, including lower interest rates, reduced foreign debt, and an increase in the debt guarantee fee to more accurately reflect the value of Provincial borrowing on behalf of Manitoba Hydro.

Net Revenue

This Budget results in net revenue of $46 million in 2001/02, down from the $122 million forecast for 2000/01, but up significantly from the 2000 Budget estimate for 2000/01 of $16 million.

Balance Under Balanced Budget Legislation

This Budget applies $96 million for debt and pension repayment in 2001/02. As in 2000/01, and subject to the advice of the Allocation Committee as to the most cost-effective use of these funds, it is projected that $75 million will be directed to debt repayment, and the remaining $21 million to funding pension obligations under the Civil Service Superannuation Plan and the Teachers Retirement Allowances Fund. A draw of $60 million from the Fiscal Stabilization Fund is budgeted, one-third lower than was budgeted last year. The balance under balanced budget legislation is a positive $10 million.

The Medium-Term Fiscal Framework

Over the medium term, total revenue is projected to increase at an average annual rate of about 3.0%, a rate that reflects the Government's commitment to deliver affordable tax relief, and is consistent with overall growth in the economy as forecast by the Conference Board of Canada. According to the February 2001 Conference Board Forecast, Manitoba's nominal Gross Domestic Product is expected to grow at an average annual rate of 4.2% over the next three years. Real Gross Domestic Product is expected to average about 2.8% over this period.

Program expenditure is targeted to increase at an average annual rate of 2.9% after 2001/02 – a rate that provides for maintenance of continued positive balances under balanced budget legislation.

Public debt costs are expected to continue at their present level of $458 million annually.

There are risks to any medium-term forecast. This medium-term fiscal framework does not require draws on the Fiscal Stabilization Fund from 2003/04 onward. A reserve will continue to be available should circumstances warrant a subsequent draw.

In line with our Province's balanced budget legislation, debt reduction and the retirement of pension liabilities will continue at the $96 million level established in 2000/01.

Medium-Term Fiscal Framework

	2000/01[1]	2001/02	2002/03	2003/04	2004/05
			(Millions of Dollars)		
Revenue	6,765	6,803	6,929	7,157	7,424
Expenditure					
Program Expenditure	6,123	6,299	6,425	6,593	6,860
Public Debt Costs	520	458	458	458	458
Total	6,643	6,757	6,883	7,051	7,318
Net Revenue	122	46	46	106	106
Interfund Transfers					
Debt/Pension Repayment	(96)	(96)	(96)	(96)	(96)
Fiscal Stabilization Fund	0	60	60	0	0
Balance Under Balanced Budget Legislation	2	10	10	10	10

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, budget decisions will reflect these changes.

Note 1: 3Q Forecast

The Medium-Term Fiscal Framework

Over the medium term, total revenue is projected to increase at an average annual rate of about 3.0%, a rate that reflects the Government's commitment to deliver affordable tax relief, and is consistent with overall growth in the economy as forecast by the Conference Board of Canada. According to the February 2001 Conference Board Forecast, Manitoba's nominal Gross Domestic Product is expected to grow at an average annual rate of 4.2% over the next three years. Real Gross Domestic Product is expected to average about 2.8% over this period.

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Net Revenue	122	46	46	106	106
Interfund Transfers					
Debt/Pension Repayment	(96)	(96)	(96)	(96)	(96)
Fiscal Stabilization Fund	0	60	60	0	0
Balance Under Balanced Budget Legislation	26	10	10	10	10

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, budget decisions will reflect these changes.

Note 1: 3Q–Forecast.

Improving Transparency and Accountability

An independent financial review by Deloitte and Touche, undertaken in 1999 and 2000, suggested several improvements. Some of their recommendations were the same as those suggested by the Provincial Auditor over the past several years. We continue to act on these recommendations.

Amendment of balanced budget legislation: Amendment of *The Balanced Budget, Debt Repayment and Taxpayer Protection Act* was identified as the highest priority by our Government. The most important amendments passed during last Session of the Legislature were:

- ending the inappropriate practice of counting Fiscal Stabilization Fund transfers as revenue to create a "surplus" in more than one fiscal year.
- introducing comprehensive debt repayment provisions. Without this amendment, the pension liability would have grown to over $8 billion by the year 2028. Under the new provisions, the pension liability will be fully funded by 2035, and General Purpose Debt will be eliminated five years later. $96 million was set aside last year, and another $96 million will be allocated again this year.
- prohibiting use of the sale of a Crown corporation, like the Manitoba Telephone System, from being used to balance the budget or to bolster the Fiscal Stabilization Fund.

In addition, we are now financing health facilities and the Manitoba Lotteries Corporation directly. This reduces costs and provides more accurate disclosure of Provincial debt.

This year we are taking further action.

Strengthening the Provincial Auditor's mandate: A new Provincial Auditor General's Act will be introduced this Session of the Legislature. This will strengthen the Auditor's mandate and improve the Auditor's access to information required to do the work of that office.

Improved reporting: Under the amended balanced budget act and/or acting on the recommendations of the Provincial Auditor:

- a new Annual Report will be issued commencing 2000/01 covering all Government operations with commentary on fiscal and economic results. This Report will have one set of financial statements covering the entire Government reporting entity as well as a special purpose statement showing our stewardship of the Consolidated Fund;
- summary budget presentations now will be included in the annual Provincial Budget, providing comprehensive disclosure of the entire Manitoba Government reporting entity;
- the inappropriate labeling of draws from the Fiscal Stabilization Fund as "revenue" to create an accounting "surplus" has ended;
- *The Financial Administration Act* has been amended to impose a September 30th deadline on both the Summary Financial Statements and the Consolidated Fund Financial Statements; and
- the Consolidated Fund Statements are referred to as "special purpose" statements to avoid any confusion with the overall results reported in the Summary Financial Statements.

The Summary Budget

The first summary budget of the Manitoba Government is presented below. This will provide a better understanding of the fiscal year projections for the entire Government entity, including Government enterprises and organizations which deliver Provincial Government services. The presentation starts with the Operating Fund budget and then extends the presentation to provide estimated results of other Government operations.

Manitoba Government Reporting Entity
Summary Budget

For the Year Ending March 31, 2002
(Millions of Dollars)

Operating Fund		
Balance Under Balanced Budget Legislation		10
Transfer to the Fiscal Stabilization Fund		(10)
Special Funds		
Debt Retirement Fund	79	
Fiscal Stabilization Fund	(33)	
Other	0	46
Government Enterprises and Crown Organizations		
The Manitoba Hydro-Electric Board	99	
Manitoba Public Insurance Corporation	38	
Other	(14)	123
Pension Liability		
Change in Pension Liability	(156)	
Change in Pension Assets Fund[1]	23	(133)
Consolidated Net Income		36

Note 1: Pension Assets Fund is budgeted to receive a transfer of $21 million and earn interest of $2 million.

Notes to Summary Budget

Operating Fund: The Operating Fund reflects the central operations of the Government and is the basis for the Estimates process and appropriations voted by the Legislature and accounted for under balanced budget legislation. It incorporates the full $96 million Debt Retirement Payment and the $60 million budgeted draw from the Fiscal Stabilization Fund.

Special Funds: Special funds are created by legislative provisions for specific purposes. These entries reflect budgeted changes during the 2001/02 fiscal year to the balances in the funds. In addition to the Fiscal Stabilization Fund and the Debt Retirement Fund, there are a number of small, special purpose funds, none of which have a material effect on the overall budgeted bottom line.

Government Enterprises and Crown Organizations: These amounts reflect the net changes in operating balances of these entities during the budget year. The surpluses from Manitoba Hydro and Manitoba Public Insurance Corporation are restricted in use to the purposes defined for these corporations and, as such, are not available to support Government programs. Net revenues from the Manitoba Lotteries Corporation and the Liquor Control Commission are part of the Operating Fund revenues. The negative balance in the Other Enterprises and Crown Organizations category primarily reflects the projected use of accumulated reserves by the Manitoba Crop Insurance Corporation for payment of current year claims ($9 million).

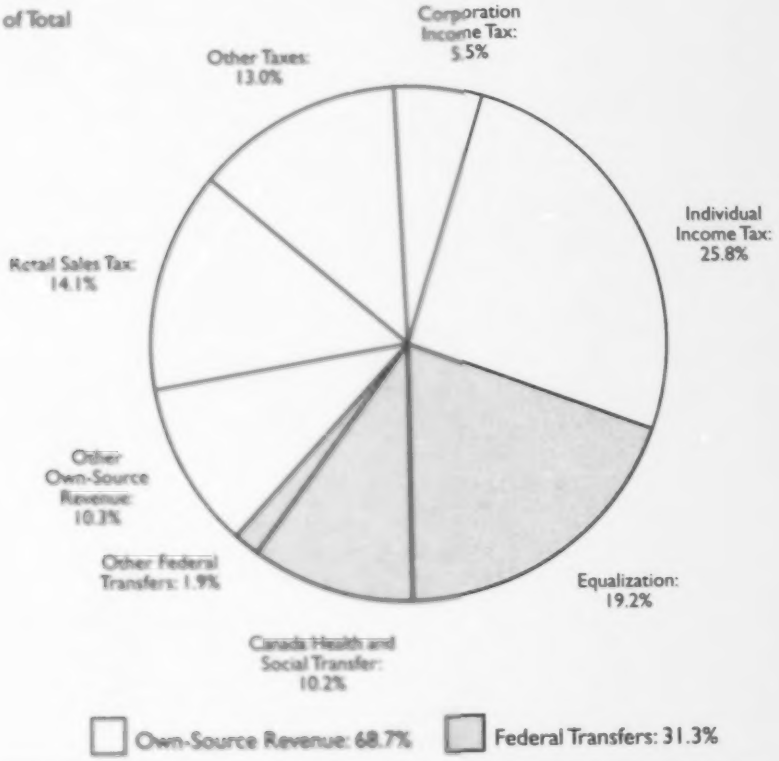
Increase in Pension Liability: The increase in pension liability has been included in summary statements since 1997. The increase in pension liability is related primarily to the pension plans for civil servants and teachers. It is being addressed in accordance with the plan in the 2000 Budget Address and is expected to be retired by the year 2034/35 through pension liability reduction payments.

Consolidated Net Income: This is the net result projected for the entire Manitoba Government reporting entity.

Provincial Revenue, 2001/02

Major Sources

Percent of Total



Revenue by Source

2001/02 and 2000/01

	2001/02 Budget	2000/01 3Q-Forecast	Change 2001/02 from 3Q-2000/01 Forecast	
	(Millions of Dollars)		(Millions of Dollars)	(%)
Own-Source Revenue	4,676	4,650	26	0.6
Government of Canada	2,127	2,115	12	0.6
Total Revenue	**6,803**	**6,765**	**38**	**0.6**

Revenue Estimates

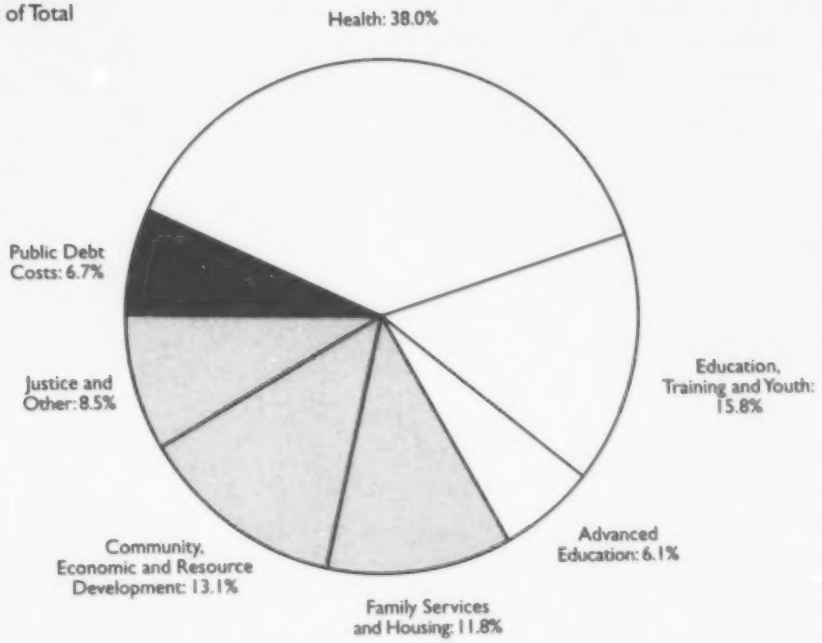
(Thousands of Dollars)

	2001/02 Estimate	2000/01 3Q-Forecast	2000/01 Budget Adjusted	Percent Change 2001/02 from 2000/01 Forecast
■ Own-Source Revenue				
Income Taxes				
• Individual Income Tax	1,754,350	1,753,700	1,685,800	
• Corporation Income Tax	375,200	444,300	333,000	
Subtotal	2,129,550	2,198,000	2,018,800	(3.1)
Taxes, Levies and Collections				
• Land Transfer Tax	11,900	12,227	12,000	
• Corporation Capital Tax	137,500	132,500	140,000	
• Gasoline Tax	157,000	157,000	157,000	
• Insurance Corporations Tax	41,452	40,640	40,640	
• Levy for Health and Education	241,400	235,000	228,000	
• Mining Tax	20,000	44,600	68,000	
• Motive Fuel Tax	67,000	67,000	67,000	
• Oil and Natural Gas Tax	3,984	4,926	3,570	
• Retail Sales Tax	957,600	935,000	950,700	
• Revenue Act, 1964, Part I	65,600	63,000	56,300	
• Tobacco Tax	135,500	122,500	124,500	
• Environmental Protection Tax	3,000	3,000	3,000	
• Other Taxes	112	112	112	
Subtotal	1,842,048	1,817,505	1,850,822	1.4
Fees and Other Revenue				
• Fines and Costs; and Other Legal	21,393	18,047	20,860	
• Minerals and Petroleum	5,942	5,854	5,811	
• Automobile and Motor Carrier Licences and Fees	60,993	56,802	56,500	
• Drivers' Licences	14,066	13,712	13,366	
• Water Power Rentals	103,100	51,103	46,500	
• Parks; Forestry; Fisheries; and Other Conservation	29,210	28,852	28,274	
• All Other Manitoba Collections	55,925	54,484	54,204	
Subtotal	290,629	228,854	225,515	27.0
Crown Corporations / Entities				
• Manitoba Lotteries Corporation	240,000	234,222	220,000	
• Liquor Control Commission	161,250	158,300	159,000	
• Other	12,200	13,125	13,125	
Subtotal	413,450	405,647	392,125	1.9
Total Own-Source Revenue	**4,675,677**	**4,650,006**	**4,487,262**	**0.6**
■ Federal Transfers				
• Equalization	1,306,100	1,355,200	1,171,100	
• Canada Health and Social Transfer (CHST)	677,800	638,000	632,100	
• Medical Equipment Fund	18,000	0	0	
• Other Transfers	125,822	122,058	123,841	
Total Federal Transfers	**2,127,722**	**2,115,258**	**1,927,041**	**0.6**
■ Total Budgetary Revenue	**6,803,399**	**6,765,264**	**6,414,303**	**0.6**

Provincial Operating Expenditure, 2001/02

Major Categories

Percent of Total


Health: 38.0%
Education, Training and Youth: 15.8%
Advanced Education: 6.1%
Family Services and Housing: 11.8%
Community, Economic and Resource Development: 13.1%
Justice and Other: 8.5%
Public Debt Costs: 6.7%

Program Expenditure Estimates

2001/02 and 2000/01

	2001/02 Budget	2000/01 3Q-Forecast[1]	Change 2001/02 from 2000/01 Forecast	
	(Millions of Dollars)		(Millions of Dollars)	(%)
Health	2,588	2,505	83	3.3
Education	1,490	1,449	41	2.8
Family Services and Housing	808	779	29	3.7
Other Departments	1,473	1,405	68	4.8
Expenditure Estimates	**6,359[2]**	**6,138**	**221**	**3.6**

Note 1: The 2000/01 information has been adjusted to be consistent with the 2001/02 Estimates structure. The 2000/01 forecast is based on the Third Quarter Financial Report.

Note 2: Program expenditure for 2001/02 includes an estimated year-end lapse of $60 million.

Operating Expenditure Estimates

(Thousands of Dollars)

	2001/02 Estimate	2000/01 3Q-Forecast	2000/01 Budget	Percent Change 2001/02 from 2000/01 Forecast
■ Health	**2,587,796**	**2,505,137**	**2,431,443**	**3.3**
■ Education				
• Advanced Education	413,404	418,345	388,427	
• Education, Training and Youth	1,076,170	1,030,270	1,021,096	
Total Education	**1,489,574**	**1,448,615**	**1,409,523**	**2.8**
■ Family Services and Housing	**808,578**	**779,425**	**785,207**	**3.7**
■ Community, Economic and Resource Development				
• Aboriginal and Northern Affairs	24,604	23,097	23,379	
• Agriculture and Food	122,089	162,880	114,785	
• Conservation	148,276	151,117	152,164	
• Industry, Trade and Mines	50,746	47,648	48,604	
• Intergovernmental Affairs	143,454	140,523	142,592	
• Transportation and Government Services	311,222	300,565	300,021	
• Enabling Appropriations	72,649	9,450	14,132	
• Other Appropriations	20,775	27,042	20,775	
Total Community, Economic and Resource Development	**893,815**	**862,322**	**816,452**	**3.7**
■ Justice and Other Government				
• Legislative Assembly	22,360	22,080	21,763	
• Executive Council	3,571	3,440	3,554	
• Civil Service Commission	4,150	3,126	3,718	
• Community Support Programs	6,033	6,291	6,299	
• Consumer and Corporate Affairs	9,758	9,317	9,398	
• Culture, Heritage and Tourism	59,815	58,556	58,395	
• Employee Pensions and Other Costs	57,358	53,357	53,859	
• Finance	102,565	99,987	103,754	
• Healthy Child Manitoba	18,281	12,276	12,814	
• Justice	230,584	224,131	224,483	
• Labour and Immigration	24,734	23,789	23,428	
• Seniors Directorate	788	790	787	
• Sport	10,368	11,477	10,392	
• Status of Women	1,218	1,116	1,151	
• Enabling Appropriations	27,500	12,560	7,335	
Total Justice and Other Government	**579,083**	**542,293**	**541,130**	**6.8**
■ Total Program Estimates	**6,358,846**	**6,137,792**	**5,983,755**	**3.6**
■ Public Debt Costs	**458,132**	**520,000**	**474,650**	**(11.9)**
■ Total Expenditure Estimates	**6,816,978**	**6,657,792**	**6,458,405**	**2.4**
■ Less: Year-End Lapse	**(60,000)**	**(15,000)**	**(60,000)**	
■ Total Budgetary Expenditure	**6,756,978**	**6,642,792**	**6,398,405**	**1.7**

Note 1: The 2000/01 information has been adjusted to be consistent with the 2001/02 Estimates structure. The 2000/01 forecast is based on the Third Quarter Financial Report.

Note 2: Includes $40 million for the Red River Floodway.

Capital Investment

Part B Capital Investment is required for the annual purchase or acquisition of tangible capital assets which meet the established guidelines for amortization (see Appendix B of the 2001/02 Estimates of Expenditure). Tangible capital assets are those with a useful life extending beyond one year which are acquired, constructed or developed and held for use, not resale. Tangible assets whose acquisition value is less than established capitalization thresholds, are recorded as operating expenditure in the year of acquisition.

Any Part B Capital Investment authority that is not used at year-end, laps s, similar to unused Part A Operating Expenditure authority.

The following table outlines the Part B Capital Investment authority requirements for 2001/02.

Capital Investment, 2001/02

(Thousands of Dollars)

Government Services Capital Projects	13,600
Transportation Equipment and Other Capital	7,440
Information Technology Projects	
Better Systems Initiative	19,550
Health	8,000
Family Services and Housing	2,000
Desktop Management Initiative	1,600
Justice	1,425
Other Departments	3,539
Other Equipment and Buildings	846
	58,000

Capital Grants, Infrastructure and Capital Investment

Total spending for capital purposes is comprised of spending on capital grants and infrastructure from Part A of the Estimates of Expenditure, and Capital Investment spending from Part B of the Estimates of Expenditure.

Total spending for capital purposes is outlined in the following chart.

Capital Grants, Infrastructure and Capital Investment, 2001/02

(Thousands of Dollars)

Capital Grants (Part A)	211,972
Infrastructure (Part A)	182,916
Capital Investment (Part B)	58,000
	452,888

Loan Act Requirements

The following table reflects expenditure authority to be included in *The Loan Act, 2001.*

Incremental Capital Authority Requirements for Non-Budgetary Programs, 2001/02

(Thousands of Dollars)

The Loan Act, 2001

Health Capital Program	126,800
The Manitoba Hydro-Electric Board	92,200
Manitoba Student Financial Assistance Program	72,300
The Manitoba Water Services Board	15,000
The Manitoba Agricultural Credit Corporation	12,700
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency	11,300
Communities Economic Development Fund	5,100
Manitoba Housing and Renewal Corporation	3,600
Rural Economic Development Initiatives	3,100
The Manitoba Film and Sound Recording Development Corporation	600
International Education	250
	342,950

Non-Budgetary Capital Program, 2001/02

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	445,500
Health Capital Program	275,729
The Manitoba Agricultural Credit Corporation	111,575
Manitoba Student Financial Assistance Program	60,000
The Manitoba Water Services Board	32,303
Manitoba Lotteries Corporation	20,700
Manitoba Industrial Opportunities Program	15,315
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency	15,907
Communities Economic Development Fund	10,400
Manitoba Housing and Renewal Corporation	8,055
Community Development Bonds	6,000
Miscellaneous Corporations, Agencies and Other Programs	20,440
	1,021,924

■ Borrowing Requirements

Manitoba's borrowing requirements for both general and self-sustaining purposes, including the guaranteed debt of Crown corporations, will total $2.2 billion in 2001/02. A total of $1.8 billion is required for the refunding of general purpose and self-sustaining debt. The remainder is required for capital investments and self-sustaining programs, including Manitoba Hydro. Incremental capital authority requirements totalling $0.34 billion are provided by *The Loan Act, 2001*. The debt guarantee fee has been adjusted to 0.95% for Manitoba Hydro to more accurately reflect the value of Provincial borrowing on its behalf.

Borrowing Requirements

(Thousands of Dollars)

	Refunding 2001/02	New Cash Requirements 2001/02	Estimated Repayments of Loans & Advances 2001/02	Borrowing Requirements 2001/02
Refunding General Government Program Debt	607,422	–	–	607,422
Capital Investments	–	25,141	–	25,141
The Manitoba Hydro–Electric Board	1,029,802	190,300	–	1,220,102
Health Capital Program	150,397	125,332	(15,729)	260,000
Manitoba Agricultural Credit Corporation	–	93,700	(70,000)	23,700
Manitoba Student Financial Assistance	–	27,000	–	27,000
Business Support Programs	–	22,105	(10,000)	12,105
Manitoba Water Services Board	–	15,039	(5,000)	10,039
Fleet Vehicles Agency	–	11,300	–	11,300
Communities Economic Development Fund	–	9,000	(5,000)	4,000
Manitoba Housing and Renewal Corporation	–	8,055	(8,055)	–
Miscellaneous	–	5,916	(5,916)	–
	1,787,621	532,888	(119,700)	2,200,809

Statement of Valuation and Purpose of Direct and Guaranteed Debt Outstanding

(Thousands of Dollars) *Preliminary Unaudited*

As at March 31, 2001 (with comparative figures for March 31, 2000)

Canadian Dollar Equivalent at Date of Issue March 31/01	Canadian Dollar Equivalent at Date of Issue March 31/00	Increase/ (Decrease) March 31/01 over March 31/00		Canadian Dollar Valuation (Note 1) March 31/01	Canadian Dollar Valuation (Note 1) March 31/00	Increase/ (Decrease) March 31/01 over March 31/00
			Direct Debt Payable in:			
11,576,012	11,143,597	432,415	Canadian Dollars	11,548,212	11,115,797	432,415
			Issues Swapped			
2,489,533	2,695,495	(205,962)	to Canadian Dollars	2,624,374	2,852,563	(228,189)
3,656,931	4,212,713	(555,782)	U.S. Dollars	4,765,523	5,087,250	(321,727)
			Issues Swapped			
881,092	510,273	370,819	to U.S. Dollars	1,015,640	574,016	441,624
18,603,568	18,562,078	41,490	Total Direct Debt	19,953,749	19,629,626	324,123
			Guaranteed Debt Payable in:			
416,001	421,219	(5,218)	Canadian Dollars	416,001	421,219	(5,218)
0	0	0	U.S. Dollars	0	0	0
416,001	421,219	(5,218)	Total Guaranteed Debt	416,001	421,219	(5,218)
19,019,569	18,983,297	36,272	**Total Direct and Guaranteed Debt** Note 2	20,369,750	20,050,845	318,905
6,128,483	6,591,620	(463,137)	Less: Sinking Fund Investments	6,128,483	6,591,620	(463,137)
75,000	0	75,000	Less: Debt Retirement Fund	75,000	0	75,000
12,816,086	12,391,677	424,409	**Net Direct and Guaranteed Debt** Note 3	14,166,267	13,459,225	707,042

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at March 31, 2001 and March 31, 2000.

Note 2: Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at March 31, 2001, total gross debt was payable 72% in Canadian dollars and 28% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 87% in Canadian dollars (85% at March 31, 2000) and 13% in U.S. dollars (15% at March 31, 2000) while Manitoba Hydro was payable 47% in Canadian dollars (47% at March 31, 2000) and 53% in U.S. dollars (53% at March 31, 2000).

Note 3: The above debt was issued for the following purposes:

	March 31, 2001 ($ Thousands)	March 31, 2001 ($ Per Capita) Note 4	March 31, 2000 ($ Thousands)	March 31, 2000 ($ Per Capita) Note 4
General Government Programs	6,537,525	5,689	6,473,434	5,647
The Manitoba Hydro-Electric Board	6,055,971	5,270	5,798,038	5,058
Capital Investments	260,390	227	244,900	214
Manitoba Hospital Facilities	220,000	191	0	0
Other	1,092,381	950	942,853	823
	14,166,267 Note 5	12,327	13,459,225	11,742

Note 4: Per capita data is based upon population figures at January 1, 2001 and April 1, 2000 as reported by Statistics Canada.

Note 5: Total debt increased $392 million due to moving the Health Capital Program and the Manitoba Lotteries Corporation on to the Province's records, while the movement in the U.S./Canada exchange rate from $1.4535 to $1.5774 increased debt by $397 million. The deposit to the Debt Retirement Fund decreased General Program debt by $75 million.

Direct and Guaranteed Debt

Net Maturities to March 31, 2040

	Canadian Valuation Payable in		Net Maturities
	Canadian Dollars	U.S. Dollars	
		(Millions of Dollars)	
2001/02	758	879	1,637
2002/03	1,225	485	1,710
2003/04	884	266	1,150
2004/05	904	4	908
2005/06	494	319	813
2006/07	594	–	594
2007/08	420	–	420
2009 - 13	2,724	562	3,286
2014 - 18	985	–	985
2019 - 23	101	1,420	1,521
2024 - 40	796	–	796
Treasury Bills and Promissory Notes	346	–	346
Total	10,231	3,935	14,166

The above table is based on foreign exchange rates in existence on March 31, 2001.

■ Fiscal Stabilization Fund

In 2000/01, the budgeted draw from the Fiscal Stabilization Fund will not be required. This is the first year since 1996/97 that a draw will not be required. The positive balance for 2000/01, projected at $26 million, will be deposited into the Fiscal Stabilization Fund. The budgeted draw for 2001/02 is $60 million, and the projected balance for the end of the year is $273 million.

Statement of Revenue, Expenditure and Balance

Projection as at March 31, 2001 and March 31, 2002

	2001/2002	2000/01 3Q-Forecast
	(Millions of Dollars)	
Fund Balance, beginning of year	306	265
Revenue		
Balance Under Balanced Budget Legislation	10	26
Interest Earnings	17	15
	27	41
Expenditure		
Transfer to Operating Fund	(60)	0
Fund Balance, end of year	273	306

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Fiscal Stabilization Fund Transaction Summary

	1988/89 to 2000/01
	(Millions of Dollars)
Deposits	
1988/89 – $58 million surplus turned to a $142 million deficit	200
Manitoba Data Services sale (1990/91)	18
Repap share redemption (1995/96)	20
Special Lotteries Transfer (1995/96)	145
Manitoba Telephone System sale (1996/97)	265
Interest Earnings	168
2000/01 Projected Budget Balance	26
Total Deposits	842
Net Draws	
1989/90 to 1996/97	183
1997/98	24
1998/99	155
1999/2000	174
Total Net Draws	536
Balance in Fund	306

■ Debt Retirement Fund

In 1999/2000, $305 million in debt was retired using the amount available in the Debt Retirement Fund. In accordance with the Province's balanced budget legislation, a $96 million contribution to the Debt Retirement Fund is required in each of 2000/01 and 2001/02, of which $21 million is the planned transfer to the Pension Assets Fund, offsetting pension obligations with the Civil Service Superannuation Fund and the Teachers Retirement Allowances Fund. Upon the advice of the Allocations Committee as to their most cost-effective use, funds will be directed to their legislated purposes.

Statement of Revenue, Expenditure and Balance

Projection as at March 31, 2001 and March 31, 2002

	2001/2002	2000/01 3Q-Forecast
	(Millions of Dollars)	
Fund Balance, beginning of year	75	0
Revenue		
Transfer from Operating Fund	96	96
Interest Earnings	4	0
	100	96
Expenditure		
Transfer to Pension Assets Fund	(21)	(21)
Fund Balance, end of year	154	75

Manitoba Financial Statistics, Ten-Year Summary

	2001/02 Budget	2000/01 3Q-Forecast	1999/00 Actual	1998/99 Actual	1997/98 Actual
	(Millions of Dollars)				
FINANCIAL STATEMENTS[1]					
Revenue					
Own-Source Revenue	4,676	4,650	4,264	4,323	3,858
Federal Transfers	2,127	2,115	2,073	1,559	1,884
Total	6,803	6,765	6,337	5,882	5,742
Expenditure					
Program Expenditure	6,299	6,123	5,971	5,372	5,171
Public Debt Costs	458	520	465	515	520
Total	6,757	6,643	6,436	5,887	5,691
Net Revenue/(Expenditure)	46	122	(99)	(5)	51
Debt/Pension Repayment	(96)	(96)	(75)	(150)	(75)
Transfers from/(to) Fiscal Stabilization Fund	60	0	185	186	100
Balance Under Balanced Budget Legislation	10	26	11	31	76
Net Direct and Guaranteed Debt					
General Purpose	6,427	6,537[4]	6,473	6,632	6,773
Manitoba Hydro	6,194	6,056[4]	5,798	5,677	5,569
Other	1,181	1,093	943	947	976
Health Facilities	480	220	0	0	0
Capital Investments	285	260	245	142	0
Total	14,567	14,166[5]	13,459	13,398	13,318
Other Obligations					
Health Debt	187	359	501	450	461
Net Pension Liability	3,017	2,885	2,754	2,624	2,572
Total	3,204	3,244	3,255	3,074	3,033
Total Obligations	17,771	17,410[5]	16,714	16,472	16,351
Fiscal Stabilization Fund End of Year Balance	273	306	265	427	565
Memorandum Items					
Population (000's)	1,153	1,148	1,143	1,138	1,137
GDP at Market Prices	34,325	32,993	31,228	30,220	29,359

Note 1: Refer to Public Accounts of Manitoba for applicable statements on accounting policies.

Note 2: Includes net gain of $264.6 million from divestiture of Manitoba Telephone System.

Note 3: Includes $145 million Special Lotteries Transfer.

1996/97 Actual	1995/96 Actual	1994/95 Actual	1993/94 Actual	1992/93 Actual	
		(Millions of Dollars)			
					FINANCIAL STATEMENTS[1]
					Revenue
4,047[2]	3,789	3,310	3,247	2,882	Own-Source Revenue
1,716	1,873	1,895	1,629	1,816	Federal Transfers
5,763	5,662	5,205	4,876	4,698	Total
					Expenditure
4,869	4,913	4,804	4,752	4,905	Program Expenditure
539	592	597	585	559	Public Debt Costs
5,408	5,505	5,401	5,337	5,464	Total
355	157[3]	(196)	(461)	(766)	**Net Revenue/(Expenditure)**
0	0	0	0	0	**Debt/Pension Repayment**
(264)	0	0	30	200	**Transfers from/(to) Fiscal Stabilization Fund**
91	157[3]	(196)	(431)	(566)	**Balance Under Balanced Budget Legislation**
					Net Direct and Guaranteed Debt
6,808	6,814	7,364	6,834	6,180	General Purpose
4,893	5,090	5,022	5,426	4,679	Manitoba Hydro
1,212	1,770	1,945	1,876	1,852	Other
0	0	0	0	0	Health Facilities
0	0	0	0	0	Capital Investments
12,913	13,674	14,331	14,136	12,711	Total
					Other Obligations
438	604	617	607	611	Health Debt
2,182	2,039	1,924	1,863	1,624	Net Pension Liability
2,620	2,643	2,541	2,470	2,235	Total
15,533	16,317	16,872	16,606	14,946	**Total Obligations**
578	210	31	29	56	**Fiscal Stabilization Fund End of Year Balance**
					Memorandum Items
1,134	1,130	1,124	1,118	1,113	Population (000's)
28,425	26,979	26,010	24,687	24,249	GDP at Market Prices

Note 4: Movement in the U.S./Canada exchange rate from $1.4535 to $1.5774 increased General Purpose Debt by $144 million, and Manitoba Hydro Debt by $253 million.

Note 5: Preliminary debt March 31, 2001.

Manitoba Financial Statistics, Ten-Year Summary

	2001/02 Budget	2000/01 3Q-Forecast	1999/00 Actual	1998/99 Actual	1997/98 Actual
Annual Change			(Percent Change)		
Own-Source Revenue	0.6	9.1	(1.4)	12.1	(4.7)
Federal Transfers	0.6	2.0	33.0	(17.3)	9.8
Total Revenue	0.6	6.8	7.7	2.4	(0.4)
Program Expenditure	2.9	2.5	11.2	3.9	6.2
Public Debt Costs	(11.9)	11.8	(9.7)	(1.0)	(3.5)
Total Expenditure	1.7	3.2	9.3	3.4	5.2
Balance Under Balanced Budget Legislation	(61.5)	136.4	(64.5)	(59.2)	(16.5)
Net General Purpose Debt	(1.7)	1.0	(2.4)	(2.1)	(0.5)
Total Net Debt	2.8	5.3	0.5	0.6	3.1
Percent of GDP			(Percent)		
Own-Source Revenue	13.6	14.1	13.7	14.3	13.1
Total Revenue	19.8	20.5	20.3	19.5	19.6
Program Expenditure	18.4	18.6	19.1	17.8	17.6
Public Debt Costs	1.3	1.6	1.5	1.7	1.8
Total Expenditure	19.7	20.1	20.6	19.5	19.4
Balance Under Balanced Budget Legislation	0.0	0.1	0.0	0.1	0.3
Net General Purpose Debt	18.7	19.8	20.7	21.9	23.1
Percent of Revenue					
Own-Source Revenue	68.7	68.7	67.3	73.5	67.2
Federal Transfers	31.3	31.3	32.7	26.5	32.8
Public Debt Costs	6.7	7.7	7.3	8.8	9.1
Net General Purpose Debt	94.5	96.6	102.1	112.8	118.0
Percent of Expenditure					
Program Expenditure	93.3	92.2	92.8	91.3	90.9
Public Debt Costs	6.7	7.8	7.2	8.7	9.1
Balance Under Balanced Budget Legislation	0.1	0.4	0.2	0.5	1.3
Dollars Per Capita			(Dollars)		
Total Expenditure	5,860	5,787	5,631	5,173	5,005
Public Debt Costs	397	453	407	453	457
Balance Under Balanced Budget Legislation	9	23	10	27	67
Net General Purpose Debt	5,574	5,694	5,663	5,828	5,957

Source: Manitoba Department of Finance

1996/97 Actual	1995/96 Actual	1994/95 Actual	1993/94 Actual	1992/93 Actual	
		(Percent Change)			**Annual Change**
6.8	14.5	1.9	12.7	(8.4)	Own-Source Revenue
(8.4)	(1.2)	16.3	(10.3)	(0.3)	Federal Transfers
1.8	8.8	6.7	3.8	(5.4)	Total Revenue
(0.9)	2.3	1.1	(3.1)	2.6	Program Expenditure
(9.0)	(0.8)	2.1	4.7	13.6	Public Debt Costs
(1.8)	1.9	1.2	(2.3)	3.7	Total Expenditure
(42.0)	n/a	(54.5)	(23.9)	69.5	Balance Under Balanced Budget Legislation
(0.1)	(7.5)	7.8	10.6	16.7	Net General Purpose Debt
(5.6)	(4.6)	1.4	11.2	7.5	Total Net Debt
		(Percent)			**Percent of GDP**
14.2	14.0	12.7	13.2	11.9	Own-Source Revenue
20.3	21.0	20.0	19.8	19.4	Total Revenue
17.1	18.2	18.5	19.2	20.2	Program Expenditure
1.9	2.2	2.3	2.4	2.3	Public Debt Costs
19.0	20.4	20.8	21.6	22.5	Total Expenditure
0.3	0.6	(0.8)	(1.7)	(2.3)	Balance Under Balanced Budget Legislation
24.0	25.3	28.3	27.7	25.5	Net General Purpose Debt
					Percent of Revenue
70.2	66.9	63.6	66.6	61.3	Own-Source Revenue
29.8	33.1	36.4	33.4	38.7	Federal Transfers
9.4	10.5	11.5	12.0	11.9	Public Debt Costs
118.1	120.3	141.5	140.2	131.5	Net General Purpose Debt
					Percent of Expenditure
90.0	89.2	88.9	89.0	89.8	Program Expenditure
10.0	10.8	11.1	11.0	10.2	Public Debt Costs
1.7	2.9	(3.6)	(8.1)	(10.4)	Balance Under Balanced Budget Legislation
		(Dollars)			**Dollars Per Capita**
4,769	4,872	4,805	4,774	4,909	Total Expenditure
475	524	531	523	502	Public Debt Costs
80	139	(174)	(386)	(509)	Balance Under Balanced Budget Legislation
6,004	6,030	6,552	6,113	5,553	Net General Purpose Debt

Budget Paper C

FEDERAL-PROVINCIAL RELATIONS

FEDERAL-PROVINCIAL RELATIONS

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MANITOBA POSITION ON FEDERAL-PROVINCIAL FISCAL RELATIONS

Working together

Manitobans expect federal and provincial governments to work together to address their key priorities through a co-ordinated and comprehensive plan. In the past year, there have been some encouraging steps our governments have taken.

First Ministers met in September 2000 with an agenda focussed on health care, early childhood development, and transfer payments issues in Canada. At that time, the Prime Minister committed the federal government to partially restore funding under the Canada Health and Social Transfer (CHST), to lift the ceiling on Equalization payments for the 1999/2000 fiscal year, and to let Equalization payments increase by the rate of growth in the economy after that. The federal Minister of Finance also was asked to review the Equalization Program in consultation with his provincial colleagues.

First Ministers met in September 2000 with an agenda focussed on health care, early childhood development, and transfer payments issues. This was regarded as a good first step.

The September commitment represented a substantial and welcome reversal of the federal government's longstanding policy of reducing its financial support for social programs.

The offer made to provinces with respect to the CHST, combined with the measures adopted in the federal Economic Statement and Budget Update of October 2000, was seen as an affirmation of the ability and renewed commitment of our national government to support valuable social programs. However, it fell short of the Premiers' call to fully restore and escalate the CHST. Removal of the ceiling on Equalization for 1999/2000, the offer to allow Equalization to grow at the rate of GDP after that, and the offer to consult on the Equalization Program appeared to signal the federal government's recognition of the Program's

The federal government has not yet acted to remove the Equalization ceiling for the 2000/01 and subsequent fiscal years.

importance in Canada's efforts to sustain increased equality of opportunity for all Canadians. Unfortunately, it is now unclear whether the federal government will keep its Equalization commitments. The federal government has not yet acted to remove the Equalization ceiling for 2000/01. Unless the federal government takes further action to permit payments to increase by the rate of growth of GDP, provincial entitlements will actually drop from their 1999/2000 level.

There are other priorities outside of improvements to transfer arrangements on which the federal and Manitoba governments must work together to meet the needs of Manitobans. A promising start was made recently on improving the capacity of the Red River Floodway. Governments have made a commitment to work together to protect the personal safety and property of Manitobans in the face of potential flooding on a scale higher than in 1997. The Floodway, along with other water drainage and control projects, will require a large dose of preventive investment to save the larger costs of disaster relief.

The Red River Floodway, along with other water drainage and control projects, will require a large dose of preventive investment.

The federal and provincial governments also recently announced the latest in a series of agricultural assistance programs. Manitoba has made a fair contribution to the program of assistance to agricultural producers, in partnership with the federal government. While Canadian governments cannot match all the subsidies provided by international competitors, substantial ongoing support is needed.

The federal government's Speech from the Throne proposed a number of important initiatives with respect to Aboriginal people. The Manitoba Government anticipates early action on this committment to help ensure that First Nations and Metis people in Manitoba have access to improved social and economic opportunities.

There are many areas in which the two orders of government can and must act together. Now is the time to take the next steps. It is time for the federal and provincial governments to plan together, to work together, to keep commitments, to live up to the expectations of Manitobans and all Canadians, and to build opportunity and prosperity in Manitoba and across our nation.

Equalization is a key to the entire system of federal-provincial fiscal relations. Unless an adequate Equalization Program is in place, participation in other federal-provincial initiatives, especially those which require matching contributions from the provinces, puts greater strain on the resources of provinces with lower per capita fiscal capacity.

Building the plan

Fundamental to effective co-operation and co-ordination is meaningful consultation among Ministers of Finance. The Government of Manitoba proposes the following plan of action:

- immediate removal of the ceiling on Equalization entitlements, and a full review of the Program before it is renewed in 2004, plus full restoration of the CHST cash transfer in 2001/02, with an appropriate and adequate escalator;
- a massive joint effort to expand the capacity of the Red River Floodway and other flood control measures to secure the safety of Manitoba persons and property;
- greater federal help for farmers struggling in the face of international subsidies; and
- urgent action to implement the Federal Throne Speech committments to improve economic opportunity and the quality of life for our Aboriginal population.

It is time for the federal and provincial governments to plan together, to work together, to keep commitments, and to live up to the expectations of Manitobans and all Canadians...

Federal-provincial fiscal arrangements play an important role in supporting the public services which Canadians value and which are provided by provinces – health and education programs, resources for local government services, and other social and economic programs.

The purpose of federal transfer payments

The Government of Manitoba strives to ensure that citizens of the province can realize the highest possible quality of life. In pursuit of this objective, the federal and provincial governments must work together.

Canada is one of the most decentralized federations in the world. In this type of system, federal-provincial fiscal arrangements play an important role in supporting the public services which Canadians value and which are provided by provinces – health and education programs, resources for local government services, and other social and economic programs. In unitary states, these are provided directly by the national government.

Tax-sharing and transfer payments make the decentralization of responsibilities possible. Transfer payments may be used when responsibilities are shared between the two orders of government. Also, transfer payments provide the mechanism to balance responsibilities and resources for each order of government. More importantly, they also address the imbalances in the relative fiscal capacities of the different provinces to raise their own revenues. Without a system of transfer payments, it is unlikely that the public services, which contribute to our high quality of life, would have developed as rapidly. Undoubtedly, without federal transfer payments, Canadians in less affluent provinces would not have comparable health care, educational opportunities and the infrastructure to improve their economic prospects. Furthermore, tax competitiveness of all regions would be impaired, with negative consequences for the national economy as a whole.

The declining federal role in delivery and support of public programs

Transfer payments from the federal government have been a part of financing provincial programs since Confederation. Indeed the Articles of Confederation, which created Canada in 1867, included provisions for transfer payments in recognition of the responsibilities carried by each of the provinces and their individual fiscal circumstances. However, the modern transfer payments programs have their roots in the expansion of social programs after the Second World War.

Prior to 1950, the federal government directly delivered a large share of total public programs. This changed in the modern period as Canadians chose to strengthen social programs, which fell under the jurisdictional responsibility of provinces.

Beginning in the 1950s, the federal government began a partnership with provinces to forge a modern public health care system. A rapid expansion of university and college capacity and enrolment also began in the 1950s and continued in the 1960s. Once again, provinces and the federal government were able to arrive at agreements with respect to the financial support necessary to build and support this new education infrastructure. The Canada Assistance Plan was passed in 1966, and most social assistance programs became eligible for 50/50 cost-sharing. This pattern of roughly equal cost-sharing was the general funding pattern for health and post-secondary education programs as well. However, some recognition of provincial fiscal capacity was introduced into the formulae for those programs.

Canada's Equalization Program was introduced in 1957, with payments based on the relative capacity of provinces to raise personal and corporate income taxes and succession duties. Over the next 25 years, the Equalization Program matured and

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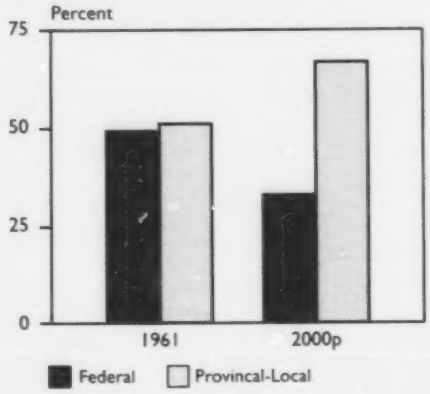
Federal and Provincial-Local Shares of Total Government Program Expenditure



p - Preliminary

Source: Statistics Canada

Today, provincial and local governments deliver about double the level of services, but the federal government still levies 60% of income taxes.

became more inclusive of provincial revenues. All provinces, except Ontario, have received payments under the Program. Its importance to the fabric of the nation was recognized, and the commitment to the principle of Equalization was incorporated in the 1982 Constitutional Amendments. By 1982, the Equalization Program had much the same structure, based on a representative tax system and a five-province standard, as it has today.

With the expansion of health, education and other provincial programs, provincial governments have increasingly provided a greater share of total public services. In 1961, the federal government spent roughly the same amount on program expenditures (excluding intergovernmental transfers) as did provincial and local governments combined. By contrast, today, provincial and local governments deliver about double the level of services of the federal government. However, the federal government still levies 60% of personal and corporate income taxes. The importance of transfer payments grows with the greater responsibilities shouldered by provinces.

At first, the expansion of social services was matched by increases in federal transfer payments. However, by 1976, the federal government had begun to uncouple their contributions to social programs from actual expenditure. In 1976, the Established Programs Financing Act (EPF) provided block funding for health and post-secondary education programs. The funding was to be escalated by growth in the economy. In 1980, 24% of provincial revenue was received in the form of federal cash transfer payments. However, in 1981, the federal government began a series of cuts, which drastically reduced the federal share of financing social programs over the next two decades. This culminated in 1995 with the passage of the Canada Health and Social Transfers (CHST) Act. The CHST combined the funding for EPF and the Canada Assistance Plan and cut cash

support by 25% over a three-year period. This reduced federal support to provinces to just 15% of total provincial revenues, from the level of 24% received 20 years earlier.

As noted earlier, the federal offer to Premiers in September 2000 appeared to signal a reversal of this policy of federal withdrawal. However, the offer can only be construed as a good first step, which, if not followed up with further action over the longer term, would only serve to temporarily slow the decline in the federal role.

Federal transfers in the future

Provincial governments continue to be concerned with the growing imbalance between the program responsibilities of the provinces and the federal government, and the financial resources to which they each have access. Independent analysts have also expressed concern. For example, in his recent article *Will the Baby Boomers Bust the Health Budget?* William Robson of the C.D. Howe Institute warned that "Demographic changes will put massive pressure on many provinces' health care budgets in the decades ahead," and recommended linking health transfers to growth in the older population, and pre-funding part of the incremental cost. Others have suggested that large new investments in post-secondary education and training are necessary, if Canada is to be primed to take advantage of the new information and technology driven economies. Other researchers have examined the tax fields currently occupied by the federal and provincial governments.

Last August, provinces commissioned independent research on the issue as it might unfold in the future. The study found that the federal government would have large and growing surplus revenue (much larger than projected in federal statements), while provinces would be hard-pressed in aggregate to maintain a positive fiscal balance. Some provinces would have surpluses, which

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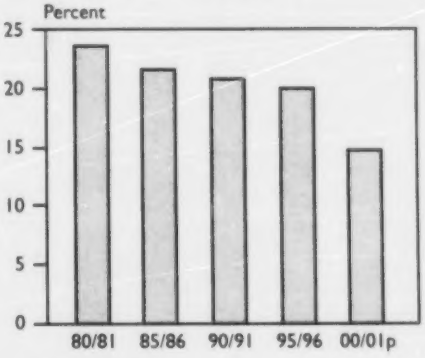
Federal Cash Transfers as a Share of Provincial-Territortial Government Revenue



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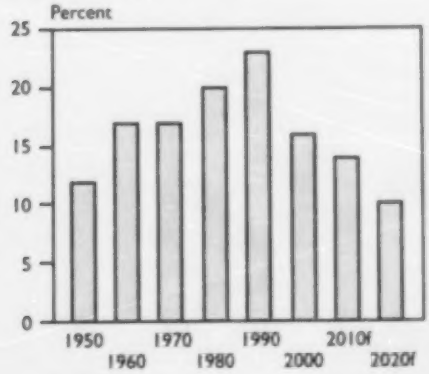
Source: Federal, Provincial and Territorial Public Accounts

Federal Government Expenditure as a Percentage of GDP



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Sources: Statistics Canada, *The National Finances* (Canadian Tax Foundation, 1990).
A Federation Out of Balance (G.C. Ruggeri, 2000)

Projections show that federal spending on programs (excluding public debt costs) may be expected to fall to about 10% of GDP, the lowest level since the federal and provincial governments first acted in partnership to form Canada's social safety net. It is time to examine whether this level of federal support is appropriate.

would allow them to improve public programs and to cut tax rates. Other provinces would face deficits unless they chose to increase taxes or cut services from the existing level.

Since that time, the federal Economic Statement and Budget Update in October 2000 provided substantial tax reductions, which will narrow the fiscal surplus. As well, the federal offer in September provided some modest support over the medium term through the CHST. Despite these developments, a recent study by TD Economics projected that the underlying federal budget balance would be in surplus by $6.5 billion to $11.4 billion over the next five years, with surpluses growing to over $50 billion annually by 2010/11.

These projections show that federal spending on programs (excluding public debt costs) may be expected to fall to about 10% of GDP, the lowest level since the federal and provincial governments first acted in partnership to form Canada's social safety net. It is time to examine whether this level of federal support is appropriate.

The Government of Manitoba believes that the federal government should apply part of its forthcoming surplus to improved program funding, especially to health care and education, which all Canadians rank as their highest priorities. As these programs are delivered by provincial governments, it is essential that the federal reinvestment be done in close consultation with the provinces.

The federal government also has a responsibility to ensure that all regions of Canada have reasonable opportunity to maintain comparable tax rates and compete effectively for economic growth and jobs. There is an urgent need to restore federal transfers to address growing fiscal imbalances in Canada.

■ Consultations on federal transfer payments

The provincial and federal governments must act together in the best interest of the Canadian public.

The September 2000 First Ministers' meeting provides an example of the improved environment which can result from acting in concert, rather than unilaterally.

While First Ministers met in September, their Finance Ministers have not met in over a year. Provincial and Territorial Ministers of Finance, meeting in Winnipeg in December 2000, called upon the federal Minister of Finance to convene a meeting of federal, provincial and territorial Ministers to discuss the economic and fiscal situation, and also to focus on the issue of federal-provincial-territorial fiscal relations. In the absence of a positive federal response, provinces and territories will continue to meet, and will develop positions on future directions for federal-provincial fiscal arrangements. However, Canadians would be better served by having the federal Minister of Finance at the table during these discussions.

The September 2000 First Ministers' meeting provides an example of the improved environment which can result from acting in concert, rather than unilaterally.

■ Review and strengthen the Equalization Program

The first objective for federal transfer payments is to ensure that provinces with differing fiscal capacities have access to resources sufficient to provide reasonably comparable services at reasonably comparable levels of taxation. This is the principle of Equalization, which was enshrined in our Constitution in 1982. It is important to note that all provinces, recipients and non-recipients alike, have consistently supported the call for an adequate federal Equalization Program, without artificial caps.

Equalization payments serve to create a more level playing field for the provinces. After the

introduction of the Equalization Program in 1957, differences in provincial per capita fiscal capacity began to narrow. Growth in per capita productivity in the recipient provinces has actually exceeded the rate occurring in the other provinces for the past four decades. This resulted in convergence of per capita GDP, though it was not enough to close the absolute gap remaining between them.[1] The narrowing of per capita fiscal capacity disparities, together with the effect of tax cuts in the provinces and recent federal decisions to reduce revenue coverage, has allowed the Equalization Program entitlements to shrink, in relative terms, since the current structure was put in place in 1982.

It is important to note that all provinces, recipients and non-recipients alike, have consistently supported the call for an adequate federal Equalization Program, without artificial caps.

The current structure of the Equalization Program was imposed in 1982. At that time, the federal deficit was reaching unprecedented levels. In order to lower payments, the federal government replaced the ten-province average representative tax system standard with a five-province standard. Though all types of provincial revenues were included, the fact that Alberta was excluded from the standard effectively removed most of the oil and gas revenue in Canada from the calculations. In addition, a ceiling on payments was introduced in 1982. In the three-year period beginning in 1988/89, recipient provinces lost over $3 billion in payments due to the ceiling.

The disparities that result from the exclusion of much of the oil and natural gas revenue in Canada are more acute today than at any time since the five-province standard was introduced. In the fiscal year 1999/2000 alone, $3 billion in Equalization entitlements are lost due to the imposition of the five-province standard, rather than the all-province standard. And, once again, the ceiling has become a factor after being lowered for the third time in 1999.

Note 1: ref. R.M. Bird and F. Vaillancourt; *The Role of Intergovernmental Fiscal Arrangements in Maintaining an Effective State in Canada*; March 2000

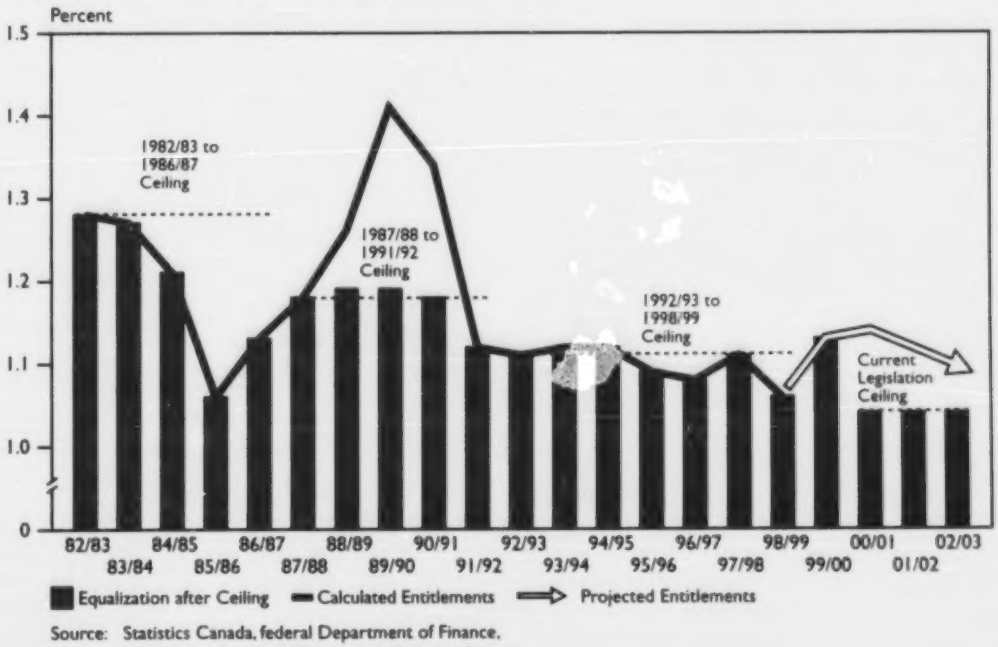
For a variety of reasons, not the least of which is the current spike in oil and gas prices, fiscal capacity disparities have increased over the past two years. Unfortunately, the federal government chose to lower the ceiling on Equalization payments in 1999/2000 to an all-time low level, below that which had been calculated in any year since the five-province standard was introduced. And this occurred precisely when greater support from the Equalization Program was needed to offset increasing disparities due to energy price increases.

The problem quickly became apparent and, last September, the Prime Minister offered to remove the ceiling for the 1999/2000 fiscal year, after which it would grow by up to the rate of GDP. The federal communiqué read as follows:

> *First Ministers raised the issue of Equalization. The Minister of Finance will examine this issue further after consultation with provincial Ministers of Finance. While*

In 1999/2000 alone, $3 billion in Equalization entitlements are lost due to the imposition of the five-province standard, rather than the all-province standard. And, once again, the ceiling has become a factor after being lowered for the third time in 1999.

Equalization as a Percentage of GDP



Source: Statistics Canada, federal Department of Finance, Conference Board of Canada, and Manitoba Finance

Last September, the Prime Minister offered to remove the ceiling for the 1999/2000 fiscal year, after which it would grow by up to the rate of GDP.

> *final revisions for Equalization purposes for fiscal year 1999/2000 likely will not be known until October 2002, the Prime Minister agreed to take the necessary steps to ensure that no ceiling will apply to the 1999/2000 fiscal year. Thereafter, the established Equalization formula will apply, which allows the program to grow up to the rate of growth of GDP.*

The federal government has introduced legislation to take action on the ceiling for the 1999/2000 fiscal year only. While this does not preclude the federal government from taking later action with respect to other fiscal years, it adds a measure of uncertainty to provincial finances, as well as to the commitment to a renewed partnership which appeared to be offered by the Prime Minister in September.

No one should be under any illusion that a return to the 1999/2000 base of $10 billion (escalated by GDP growth in future years) will be adequate to pay full entitlements in 2000/01. All the economic and fiscal data indicate that the current calculation of entitlements for 2000/01 of $10.8 billion will grow as revised data is incorporated into the calculations. The potential cost to recipient provinces would be close to $1 billion, and to Manitoba would be $95 million. These are funds which would be transferred to provinces on the basis of the objective formula used to calculate Equalization entitlements.

This loss of transfer revenue resulting from the ceiling can be compared against the additional funding provided for the CHST in September. In the case of Manitoba, over the three-year period from 2000/01 to 2002/03, the Province potentially loses more from imposition of the artificial Equalization ceiling than it gains from the increase in CHST. This is also true for recipient provinces as a whole. Only the three provinces with the highest per capita fiscal capacity would benefit, on

a net basis, from the Prime Minister's CHST proposal. In the months ahead, Canadians could witness the effects of this unfortunate result in very concrete terms as it affects equal treatment for those delivering services as well as those accessing benefits.

The ability of recipient provinces to develop their economies and create jobs is jeopardized by growing fiscal capacity disparities. These disparities make it difficult for provincial governments to maintain competitive tax rates, in relation to both internal and foreign competitors. Growing disparities have allowed governments in Alberta and Ontario to reduce taxes more rapidly than elsewhere. Also, should large gaps in per capita revenue between provinces extend over time, service delivery and the provision of infrastructure might not keep pace with the patterns emerging in other jurisdictions. The same opportunities would not be available to all Canadians, wherever they reside. Furthermore, should firms make location decisions based on these factors rather than economic fundamentals, productivity in Canada will be lower than it could be. The conditions for a further widening of disparities between provinces

This loss of transfer revenue resulting from the ceiling means that only the three provinces with the highest per capita fiscal capacity would benefit, on a net basis, from the Prime Minister's CHST proposal.

CHST Gains Less the Potential Impact of the Equalization Ceiling

	2000/01			2001/02			2002/03			
	Additional CHST	EQ Ceiling Loss	Net Gain (Loss)	Additional CHST	EQ Ceiling Loss	Net Gain (Loss)	Additional CHST	EQ Ceiling Loss	Net Gain (Loss)	Cumulative Net Gain (Loss)
	(Millions of Dollars)									
Manitoba	**19**	**(95)**	**(77)**	**122**	**(100)**	**22**	**132**	**(104)**	**28**	**(27)**
Equalization-Recipient Provinces	194	(989)	(795)	1,269	(1,035)	234	1,375	(1,085)	289	(272)
Non-Recipient Provinces	306	0	306	2,031	0	2,031	2,225	0	2,225	4,563

will have been put into place. Competition from a more level playing field, which has led to strong and more equal growth across all regions of Canada, could be undermined.

The Equalization Program has served the nation well. Since its introduction, it has provided a better balance which has allowed for more equal opportunity across the nation.

The Government of Manitoba believes that the federal government can and should act to level the playing field. The Equalization Program has served the nation well. Since its introduction, it has provided a better balance which has allowed for more equal opportunity across the nation. The burden of provincial responsibilities for health and education and other program delivery has increased and is projected to increase further in the future. In such circumstances, the relative importance of the Equalization Program also increases.

Further examination of the Equalization Program, as agreed to at the First Ministers' meeting in September, should proceed. The review should examine the adequacy of the five-province standard, revenue coverage under the Representative Tax System, and methods to improve stability and predictability. In the meantime, the Equalization Program should not be subject to arbitrary, unnecessary and potentially damaging constraints.

The Equalization ceiling is no longer a question of affordability, as it might have been in the past.

This is no longer a question of affordability, as it might have been in the past. For the fiscal year 2000/01, the federal government has already indicated that its budgetary surplus would be at least $10 billion. Most independent projections place it considerably higher. The federal government should not be padding its surplus by withholding Equalization entitlements from the seven recipient provinces. It is a fundamental question of fairness and of respecting the provision of the Canadian Constitution. The Equalization ceiling should be removed.

Restore the CHST and provide an appropriate escalator

Canadians continue to rank the maintenance of health care as their top priority for governments. Most analysts believe that maintaining the public health care system in the face of an ageing population will require growth in resources above that of GDP growth. In the "knowledge economy", another priority must be to expand access to education and training. Health and education will continue to grow in proportion to total provincial program expenditure (see Chart).

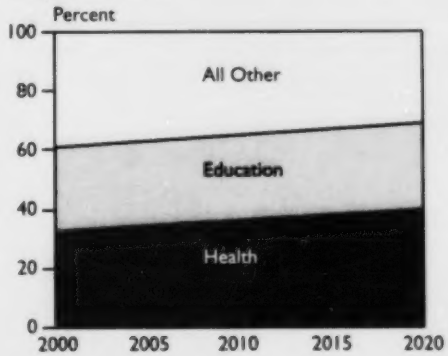
While provincial governments can and do look to re-allocate resources from lesser priorities, it is clear that most provinces do not have the same flexibility to provide support for priority public programs as is available to the federal government. However, as noted earlier, the federal government has projected that its program spending will fall to its lowest level in five decades. This difference in program pressures and resource capacity between the two orders of government is called a vertical fiscal imbalance.

The federal government has followed a path of reducing its share of financing the priority public services it helped to create in the 1950s and 1960s. As the federal government began to achieve budget surpluses in the late 1990s, provinces and territories called upon the federal government to restore the cuts made with the introduction of the CHST, and to provide an appropriate escalator to increase the sustainability of these financing arrangements. The offer made at the September First Ministers' meeting fell short of that target, because it did not restore nominal payments to 1994/95 levels for the 1999/2000 fiscal year, and it did not provide an appropriate escalator to build on that total.

The offer included a few measures tied to specific sub-programs. A Medical Equipment Trust Fund

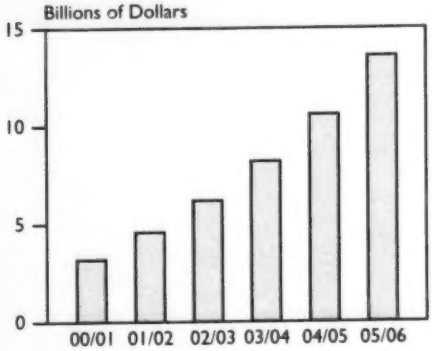
The Canadian public continues to rank the maintenance of health care as its top priority for governments. In the "knowledge economy", another priority must be to expand access to education and training.

Health and Education Share of Provincial-Territorial Government Program Expenditure



Source: *A Federation Out of Balance* (G.C. Ruggeri, 2000)

Cumulative Shortfall of Federal CHST Package from Full Restoration



Note: In this illustration, full restoration means restoring CHST cash to its 1994/95 level of $18.7 billion in 2000/01 along with an escalator equal to growth in GDP.

Sources: Federal Department of Finance, Manitoba Finance

The Manitoba Government is also prepared to enter into discussions to secure the long-term sustainability of health, post-secondary education and training, early childhood development and other priority social programs through appropriate federal-provincial fiscal arrangements.

was established, designated to provide equipment upgrades for the period extending to 2002/03. Manitoba has taken its share of the Trust, and these funds will be used as intended to purchase additional medical equipment. The budget plan includes withdrawal of $18 million in 2001/02, and $19 million in 2002/03 from the Medical Equipment Trust Fund. The 2001 Manitoba Budget provides an additional $22 million for diagnostic equipment alone.

Additional CHST funds are dedicated to early childhood development initiatives, including increases to "Healthy Child Manitoba" and child care.

Manitoba does not support the continued federal micro-managing of health and other social services through short-term, tied and boutique programming directed toward gaining greater visibility for Ottawa with respect to current issues, but coming at the expense of long-term integrated approaches. Priorities differ across the country. The funds should be provided through the CHST block funding arrangement, so Manitobans can determine how best to meet their priority needs.

Manitoba continues to join other provinces and territories in the call to restore the federal cash support in the manner proposed by all Premiers in 1999. The Manitoba Government is also prepared to enter into discussions to secure the long-term sustainability of health, post-secondary education and training, early childhood development, and other priority social programs through appropriate federal-provincial fiscal arrangements, including the application of an appropriate escalator for federal payments under the CHST.

■ Other issues in federal-provincial relations

Expanding the Red River Floodway: The Red River Floodway has proven to be a valuable legacy of co-operation between past federal and provincial

governments. Premier Duff Roblin and Prime Minister John Diefenbaker had the vision and commitment to make flood protection a priority. The Province also made a significant sacrifice in choosing that priority.

Both governments must once again have the vision, and be prepared to pay the price, for our future security. The International Joint Commission (IJC) has confirmed what we learned from the Great Flood of 1997. We need to make major improvements to the Floodway, if it is to offer the full protection against possible peak flood years. We also need other flood protection and drainage works in several other parts of the province.

Last month, some improvements were made at the Floodway gates. The Manitoba Government is now putting in place plans to expand the capacity of our waterways and flood protection defenses. These plans will come at a cost of less rapid tax cuts and debt reduction, and foregoing other spending. But this investment must be made, and the 2001 Budget commits $40 million, the first of many instalments needed to complete the plan.

This is a project which needs a solid commitment from our federal partner. In discussions to date, the Government of Manitoba has been encouraged by the federal response. Now governments need to conclude a full and fair funding arrangement, which will see this project through to completion. Today's Floodway expansion requires the same 60% federal contribution as the original project. The federal government stands to be a major beneficiary of this project as well. In the past, it provided up to 90% of eligible disaster relief funding. Ottawa's potential exposure will be sharply reduced by investment in this project.

Improving the lives and opportunities of Manitoba Aboriginal communities: Many Aboriginal people in Manitoba, whether they reside

The Red River Floodway has proven to be a valuable legacy of co-operation between past federal and provincial governments.

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in First Nations', Metis, Northern or rural communities or our cities, have not enjoyed the quality of life most Manitoba citizens enjoy. And, held back by poor educational experiences and health problems arising from poor living conditions, they do not have the same opportunities to improve their circumstances.

A comprehensive set of initiatives, directed toward the economic and social well-being of Aboriginal people, must be put in place. The federal and provincial governments must work in partnership with First Nations' governments and other Aboriginal organizations to make improved health, housing, education, and employment opportunities a reality for all Aboriginal people in Manitoba.

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The federal government has a special responsibility for First Nations and Metis people, and a special role to play in support of Aboriginal self-government. The 2001 federal Throne Speech proposed a number of initiatives. However, federal off-loading of its responsibilities for Aboriginal people has been a long-standing policy. A decade ago, the former federal administration abandoned its responsibilities for off-reserve populations, virtually overnight. In contrast, the Manitoba Government is called upon to fund and deliver more services, from Northern airports, to dialysis units to treat the ravaging effects of diabetes reaching epidemic levels in Aboriginal communities, to personal care homes for the elderly and infirm. However, Provincial resources are inadequate to meet all the exceptional needs of Aboriginal people.

Nevertheless, the Government of Manitoba stands prepared to enter into co-operative arrangements to address our greatest social challenges. To not do so would ignore our future. In years ahead, one-quarter of the new entrants to the labour force in Manitoba will be of Aboriginal decent. We want them to be productive partners in our economy.

Support for Manitoba's agricultural producers: Manitoba's grain and oilseed producers face one of the biggest challenges of any community in our

province. We must have increased assistance from Ottawa to farmers to allow them to continue competitive operations at a time of deep subsidies in the United States and the European Economic Community.

The agricultural community is asking questions about its future. Many sectors are doing better with diversified operations. The Government believes in the resilience of Manitoba producers and that our agricultural community will continue to make a strong contribution. The Manitoba Government is doing its share in providing support, and will continue to do so. They need federal help now. This year, we have announced an additional $52 million in support to farmers.

Conclusion

Canada needs appropriate transfer payment arrangements in order to maintain health, education and other social services for all Canadians. Transfers must also address growing fiscal imbalances between provinces, which threaten to disrupt balanced economic growth.

Provinces and territories have met and established an agenda for renewing fiscal arrangements to better serve all Canadians. Manitoba calls on the federal Minister of Finance to join them and to establish processes to get this needed action under way now.

The September 2000 federal offer was seen as a good first step in addressing these issues, now that federal finances are strong. However, the federal government must be a reliable partner for the provinces. The country needs it.

It is simply unacceptable for the federal government to build a multi-billion dollar surplus for the 2000/01 fiscal year while withholding $1 billion in Equalization entitlements from the seven less affluent provinces in Canada. This increases fiscal disparities, distorts the playing field for people and

We must have increased assistance from Ottawa to farmers to allow them to continue competitive operations at a time of deep subsidies in the United States and the European Economic Community. They need federal help now.

Canada works best when we work together.

business, and reduces the competitive capacity of the nation as a whole. The Equalization ceiling must be removed for the year 2000/01, as it was for the 1999/2000 fiscal year.

The CHST must be fully restored with an appropriate escalator. The additional funding must not be accompanied by conditional and short-term programming which further escalates the rapidly rising obligations of provinces.

There are a number of other issues requiring the joint stewardship of the federal and provincial governments.

Manitobans want their governments to work together. In a highly decentralized country such as Canada, federal transfer payments are a particularly important policy instrument. They are the mechanism by which fiscal imbalances can be addressed. An appropriate transfer system is important to Manitoba in order to:

- maintain health, education and other priority services;
- keep our taxes and costs competitive, to allow our economy to achieve its potential; and
- undertake important projects, in partnership with the federal government, such as flood control, improving opportunity for Aboriginal people, and support for agricultural producers .

Canada works best when we work together.

Budget Paper D

TAXATION ADJUSTMENTS

TAXATION ADJUSTMENTS

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Summary of 2001 Tax Measures

	2001/02	Full Year
	(Millions of Dollars)	
Personal Tax Measures		
Education Property Tax Credit increase	(27.0)	(27.0)
Personal Income Tax reductions	(18.3)	(41.7)
Capital gains reduction	(10.0)	(10.0)
Education credit increase	(5.0)	(5.0)
Learning Tax Credit *	3.3	3.3
Total Personal Tax Measures	**(57.0)**	**(80.4)**
Business Tax Measures		
Corporation Income Tax rate reduction	(2.9)	(46.4)
Higher threshold for small business rate	(0.4)	(1.5)
Film and Video Tax Credit extension	**	(2.0)
Microbreweries liquor mark-up reduction	(0.2)	(0.2)
Total Business Tax Measures	**(3.5)**	**(50.1)**
Health and Green Measures		
Tobacco Tax rate increase	12.0	12.0
Environmentally Sensitive Areas Tax Credit	(0.5)	(0.5)
PST exemption for lagoon liners, slurry tanks	(1.0)	(1.0)
Eliminate PST exemption for certain chemicals	2.0	2.0
Gasohol tax preference fixed	**	**
Total Health and Green Measures	**12.5**	**12.5**
Water Power Rental rate increase	52.0	52.0
Net Change 2001 Budget	**4.0**	**(66.0)**
Ongoing Tax Reductions ***		
Personal tax reductions	(76.5)	(102.0)
Business tax reductions	(12.0)	(19.2)
Net Change 2001/02 and Subsequent Years	**(84.5)**	**(187.2)**

* Changes to the Manitoba Learning Tax Credit for 2001 and subsequent years will reduce the cost of the Credit from $14.1 million in 2000/01 to $10.8 million in 2001/02. This is reflected in the Estimates of Expenditure.

** No incremental cost.

*** Ongoing tax reductions are those that were announced in previous Budgets to take effect in 2001 or 2002.

■ EDUCATION PROPERTY TAX CREDIT

(2001/02 expenditure impact: $27.0 million)

Starting with the 2001 tax year, the minimum Education Property Tax Credit will increase by $75 from $325 to $400. The maximum Credit will increase by $75 from $600 to $675, and from $700 to $775 for seniors. Each of these amounts was also increased by $75 in the 2000 tax year.

The Education Property Tax Credit provides assistance based on property taxes and income. For tenants, 20% of rental payments is used as a proxy for property taxes paid. The Credit is equal to the lesser of:

(a) property taxes above $250, or

(b) $675 ($775 for seniors) less 1% of family net income.

The minimum Education Property Tax Credit is $400.

Most homeowners receive their minimum entitlement of $400 as a deduction on their municipal property tax statement. Tenants, and homeowners who qualify for more than the minimum amount, claim the Education Property Tax Credit on the Manitoba Income Tax return.

■ PERSONAL INCOME TAX

(2001/02 revenue impact: -$28.3 million)

As of the 2001 tax year, Manitoba has completed the transition from its old three-tax system – a basic Income Tax, a Net Income Tax and a Net Income Surtax – to a system with a single set of brackets and rates based directly on taxable income. Major enhancements, now fully implemented, include significant increases in the value of non-refundable tax credits, and a Family Tax Reduction with a lower-income offset and higher amounts for children. Full details of the new system were presented in the 2000 Manitoba Budget. Thanks to these changes, Manitobans are realizing tax savings of $68 million for the 2001 tax year, rising to $102 million in 2002.

This Budget introduces additional income tax relief.

- The non-refundable tax credit amounts are increased by 2.5% for 2001. This change benefits every taxpayer. It also eliminates income tax for some 4,000 lower-income Manitobans.
- The tax rate in the middle bracket will fall from 16.2% in 2001, to 15.4% in 2002, and to 14.9% in 2003. This supersedes the previously announced reduction to 15.6% in 2002.
- The tax rate in the top bracket is reduced from 17.63% in 2000 to 17.4% in 2001. This supersedes the previously announced reduction to 17.5%. Income tax source deductions will be adjusted effective July 1, 2001. The taxable income level at which the top rate begins to be applied will rise from $61,089 in 2001 to $65,000 in 2002, as previously announced.

These new measures will reduce income taxes by $18.3 million in 2001/02, and by $41.7 million per year when fully implemented.

Last October, the federal Minister of Finance announced a reduction in the capital gains inclusion rate to 50%. Manitoba is matching this measure. In both the 2001 tax year and the 2001/02 fiscal year, the capital gains measure will reduce Manitoba income tax by $10 million.

Manitoba Income Tax Savings for Typical Taxpayers

Income	Tax in 1999	Tax Savings since 1999			4-Year Total	2003 Savings over 1999
		In 2001	In 2002	In 2003		
		(Dollars)				(Percentage)
SINGLE PERSON						
10,000	178	88	105	106	325	59.6
20,000	1,369	148	169	171	556	12.5
40,000	4,012	218	321	374	1,046	9.3
70,000	9,153	396	742	919	2,312	10.0
100,000	14,572	596	941	1,119	3,041	7.7
SENIOR COUPLE						
30,000	381	217	260	260	823	68.2
40,000	1,968	251	338	359	1,090	18.2
60,000	5,744	293	523	644	1,656	11.2
80,000	9,537	477	793	984	2,535	10.3
FAMILY OF FOUR - ONE EARNER						
25,000	591	322	357	360	1,115	60.9
40,000	2,891	432	548	601	1,734	20.8
60,000	6,625	726	1,002	1,155	3,114	17.4
75,000	9,435	794	1,152	1,329	3,571	14.1
100,000	13,951	711	1,068	1,246	3,430	8.9
FAMILY OF FOUR - TWO EARNERS						
30,000	691	294	314	316	1,006	37.3
40,000	1,453	359	400	405	1,267	24.0
60,000	4,107	542	635	670	2,021	16.3
80,000	7,169	691	883	980	2,799	13.7
100,000	10,188	677	990	1,161	3,146	11.5

Increased Property Tax Credits are not included in the above examples.

In these tables, it is assumed that single and married taxfilers have earned income and pay Canada Pension Plan and Employment Insurance premiums. The senior couple each receives Old Age Security Pension, and the principal taxfiler receives private pension and interest income, and claims the other senior as a dependent. In the two-earner couples, it is assumed one earner earns 60% of the income while the other earner earns 40%. Totals may not add due to rounding.

■ TAX CREDITS IN SUPPORT OF EDUCATION

(Education tax credit – 2001/02 revenue impact: -$5.0 million)
(Learning Tax Credit – 2001/02 expenditure impact: -$3.3 million)

Manitoba provides two tax credits to assist students or their families with the cost of post-secondary education: the non-refundable education tax credit, which is similar to a credit offered by the federal and other provincial governments, and the Manitoba Learning Tax Credit, which is unique in Canada.

The education tax credit is calculated as a monthly amount times the number of months of attendance at a post-secondary institution, plus tuition costs and fees, times the credit rate. Effective for 2001, the education amount has doubled to $400 per month of full-time attendance, while Manitoba's non-refundable tax credit rate has risen from 8% to 10.9%.

The Learning Tax Credit is calculated as a percentage (7% in 2000) of the same base used for the education credit. Therefore, increases in the education amount also automatically increase the Learning Tax Credit unless there is a corresponding adjustment in the Learning Tax Credit rate. For 2001 and subsequent years, the Learning Tax Credit rate will be 4%.

The following shows the combined impact of adjustments to both the Learning Tax Credit and the education tax credit for a person with tuition costs of $3,000 and eight months of attendance at an eligible institution.

MANITOBA'S POST-SECONDARY EDUCATION TAX CREDITS FOR A TYPICAL STUDENT

	LTC	ETC	Total
2000	$322	$368	$690
2001	$248	$676	$924
Change	-$74	+$308	+$234

LTC: Learning Tax Credit ETC: Education tax credit

The person in this example receives additional tax credit support from Manitoba of $234 – a 34% increase. In addition, this person receives an increase in the federal education tax credit of $210. The combined federal and Manitoba increase in support is $444 or 30%.

The $1.7 million net increase in Manitoba's post-secondary education tax credits complements the increased support in the 2000 and 2001 Budgets for post-secondary bursaries, operating grants and capital projects. As well, the majority of post-secondary students will continue to experience no increase in tuition fees for the 2001/02 academic year.

CORPORATION INCOME TAX

General Business Rate

(2001/02 revenue impact: -$2.9 million)

This Budget reduces the general Corporation Income Tax rate for the first time since the Second World War. The rate will fall from 17% to 16.5% on January 1, 2002. It will fall by a further 0.5% each January 1 thereafter until it reaches 15% in 2005. The reductions will be applied *pro rata* for taxation years straddling January 1. In combination with announced reductions in the federal Corporation Income Tax rate, the total income tax rate faced by Manitoba corporations will fall from 46.12% in 2000 to 37.12% in 2005 – the lowest rate in the post-war period. These changes will reduce revenue by $46.4 million when fully implemented.

Small Business Threshold

(2001/02 revenue impact: -$0.4 million)

Canadian-controlled private corporations which qualify for the federal small business deduction pay a lower rate of Manitoba Corporation Income Tax on the first $200,000 of active business income. Manitoba's small business threshold will increase to $300,000 effective January 1, 2002. On a full-year basis this measure will reduce revenue by $1.5 million.

As previously announced, Manitoba's small business rate will fall from 6% to 5% on January 1, 2002. For eligible corporations, the 6% rate applies on the first $200,000 of taxable income in 2001. The 5% rate will apply on the first $300,000 of taxable income in 2002. As a result, for firms in the $200,000 to $300,000 range, the tax rate will fall from 17% in 2001 to 5% in 2002. These rate changes reduce revenue by $12.0 million in 2001/02 and by $19.2 million when fully implemented.

REDUCTIONS IN CORPORATION INCOME TAX RATES SINCE 1999

	1999	2002	2005
Taxable Income			
Up to $200,000	8%	5%	5%
$200,000 to $300,000	17%	5%	5%
Over $300,000	17%	16.5%	15%

Film and Video Production Tax Credit

(2001/02 revenue impact: nil)

This Budget extends the Manitoba Film and Video Production Tax Credit, currently scheduled to expire on March 2, 2002, for an additional three years, and extends eligibility to include firms with assets exceeding $50 million. This change will facilitate partnerships between smaller Manitoba production companies and larger firms. The Credit is equal to 35% of eligible salaries for work performed in Manitoba. Since its introduction, 49 Manitoba productions have benefited from this Credit.

■ LIQUOR MARK-UPS

(2001/02 revenue impact: -$150,000)

The Manitoba Liquor Control Commission will reduce its mark-up rates to provide a reduction for microbrewers that will equate to the current amount of tax per litre paid by microbrewers in Saskatchewan. The microbrewery rates will be approximately 91% of the regular mark-up rate on bottled beer, and 81% of the rate on draft beer. This reduction will provide microbrewers with $150,000 in annual savings. It takes effect at midnight, April 10, 2001. A microbrewer is defined as any brewer producing less than 17,600 hectolitres per year.

■ TOBACCO TAXES

(2001/02 revenue impact: $12 million)

For both health and revenue reasons, the Tobacco Tax rate is being increased effective midnight, April 10, 2001. The tax rate on cigarettes will increase from 8.6¢ to 9.6¢ per cigarette; on fine-cut tobacco, from 7.3¢ to 8.3¢ per gram; and on raw leaf tobacco, from 6.0¢ to 7.0¢ per gram.

The full-year revenue associated with this measure is $12.0 million.

■ ENVIRONMENTALLY SENSITIVE AREAS TAX CREDIT

(2001/02 revenue impact: -$0.5 million)

Manitoba will introduce a new Environmentally Sensitive Areas Tax Credit to assist private landowners who take action to protect approved parcels of land. The assistance will be in the form of an abatement on municipal property tax bills, and will be administered in co-operation with municipalities.

■ WATER POWER RENTALS

(2001/02 revenue impact: $52.0 million)

Reflecting a significant increase in the value of hydro-electric generation, especially in export markets, Manitoba's Water Power Rental rate is being increased. The new rate will be $3.341 per MW hour. This is the same as Ontario's, and lower than British Columbia's rate of $5.528. Previously, Manitoba's nominal rate was $1.628. However, in exchange for the Province not increasing Water Power Rental rates, Manitoba Hydro committed to invest in infrastructure and other projects benefiting Northern residents. This arrangement was roughly equivalent to a Water Power Rental rate of $2.62 (escalated by 4% each year). The effective increase is 27%. The new arrangement is more transparent.

With the termination of the freeze arrangement effective March 31, 2001, Manitoba Hydro has reaped sufficient benefit under the freeze arrangements to complete the previously committed projects.

The new rates are effective April 1, 2001, coincident with termination of the freeze. Legislation will be brought forward to confirm the new rates. The existing rates will continue to apply to utilities with total capacity under 200 MW.

■ GASOLINE TAX – GASOHOL PREFERENCE

(2001/02 revenue impact: nil)

For gasoline that is blended with at least 10% ethanol, Manitoba levies Gasoline Tax at a rate that is 2.5 cents per litre lower than the tax on regular gasoline. For greater certainty, this Budget affirms that the gasohol preference will continue to be 2.5 cents per litre for a period of at least ten years.

■ RETAIL SALES TAX

(2001/02 revenue impact: $1.0 million)

Exemption for farm manure slurry tanks and lagoon liners extended

To promote environmentally safe handling of animal wastes on farms, this Budget extends the exemption for manure slurry tanks and lagoon liners, for use in farm livestock operations, until June 30, 2002.

This exemption is expected to reduce sales tax revenue by $1.0 million for 2001/02.

Exemption for non-farm chemicals terminated

In recognition of the harmful effect on the environment of certain chemicals, effective May 1, 2001, the sales tax exemption will be eliminated for non-farm use of fertilizers, insecticides, fungicides, herbicides, rodenticides and weed control chemicals. These products are taxed in most other provinces.

This measure is expected to increase sales tax revenue by $2.0 million annually.

Exemption for electronic books

Books are exempt from Retail Sales Tax. This exemption will be extended to cover electronic forms of books, such as CDs and audio cassettes.

This exemption is expected to have a negligible impact on sales tax revenue.

■ TECHNICAL AMENDMENTS

Amendments to various taxation statutes will be made as part of *The Budget Implementation and Tax Statutes Amendment Act, 2001*. These amendments include:

- clarifying the Retail Sales Tax exemption pertaining to complimentary airline meals;
- enhancing collection capability for Retail Sales Tax arrears and tax due on bulk sales;
- expanding refund provisions for vehicles, snowmobiles and aircraft purchased for permanent use outside Canada;
- requiring employers operating in Manitoba for less than one year to prorate the annual payroll tax exemption;
- clarifying the Corporation Capital Tax provisions respecting the overpayment of instalments; and
- clarifying application of net income tax provisions to mutual fund trusts for the 2000 tax year.

■ FURTHER INFORMATION

For further information, please contact the appropriate office as listed below.

Personal Income Tax, the Learning Tax Credit and the Education Property Tax Credit:

Manitoba Tax Assistance Office
Manitoba Finance

Telephone: (204) 948-2115 in Winnipeg
Toll-free: 1-800-782-0771
Facsimile: (204) 948-2263
E-mail: TAO@gov.mb.ca

Corporation Income Tax and Environmentally Sensitive Areas Tax Credit:

Federal-Provincial Relations
and Research Division
Manitoba Finance

Telephone: (204) 945-3757
Facsimile: (204) 945-5051
E-mail: fedprov@gov.mb.ca

Retail Sales Tax, Gasoline Tax and Tobacco Tax:

Taxation Division
Manitoba Finance

Telephone: (204) 945-5603 in Winnipeg
(204) 726-6153 in Brandon
Toll free: 1-800-782-0318 (Winnipeg)
1-800-275-9290 (Western Region)
Facsimile: (204) 945-0896
E-mail: MBTax@gov.mb.ca

Liquor Mark-ups:

Vice-President Finance and Licensing
Manitoba Liquor Control Commission

Telephone: (204) 474-5512
Facsimile: (204) 475-7287
E-mail: aahoff@mlcc.mb.ca

Manitoba Film and Video Production Tax Credit:

Manitoba Film and Sound
Development Corporation

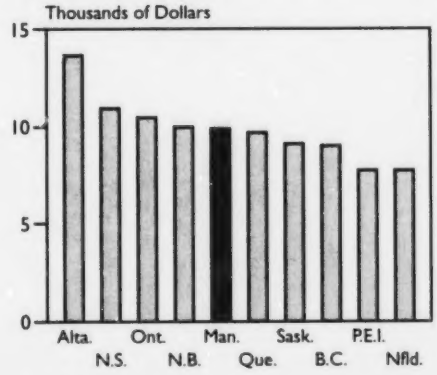
Telephone: (204) 947-2040
Facsimile: (204) 956-5261
E-mail: explore@mbfilmsound.mb.ca

2001 Interprovincial Comparison of Personal Income Taxes

Budget Paper E, The Manitoba Advantage, includes a table showing taxes and other costs for typical families in each province. Another useful comparison of provincial tax systems is the income level at which provincial income tax becomes payable. The "No Children" chart shows that Manitoba has the fifth-best ranking for a single person with no dependents. The "Two Children" chart shows that Manitoba has the fourth-best ranking for a one-income family of four. The "Seniors" chart shows that Manitoba has the second-best ranking for a single senior.

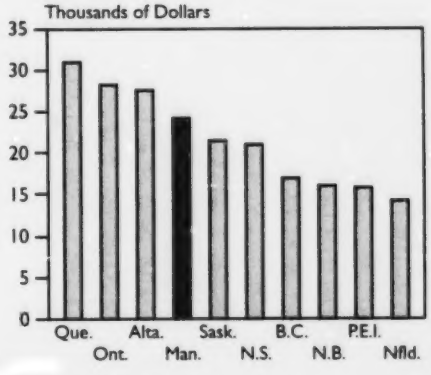
Another useful comparison is the top marginal tax rate, or the highest tax rate charged by each province. In 2001, Manitoba ranks third-best.

Tax-Free Income – No Children, 2001



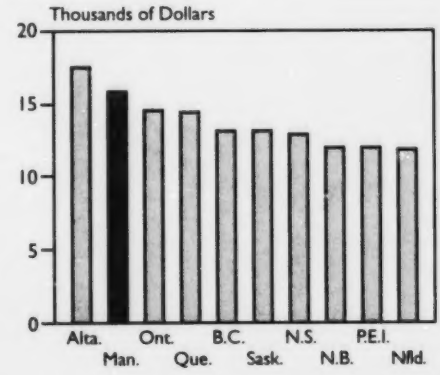
Source: Manitoba Finance

Tax-Free Income – Two Children, 2001



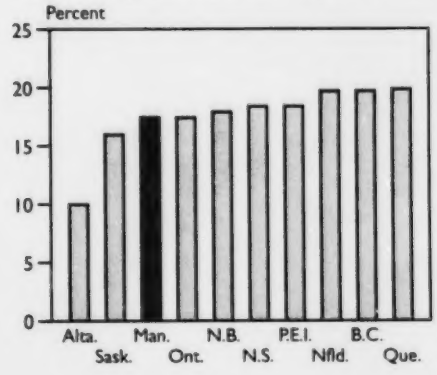
Source: Manitoba Finance

Tax-Free Income – Seniors, 2001



Source: Manitoba Finance

Top Marginal Tax Rate, 2001



Source: Manitoba Finance

2001 Interprovincial Comparison of Tax Rates

	B.C.	Alta.*	Sask.	Man.	Ont.*
Personal Income Tax					
Top Marginal Rate (%) [A]	19.70	10.00	16.00	**17.40**	17.41
Health Care Premiums ($) [B]	864	816	–	–	–
Corporation Income Tax (%) [C]					
Small Rate	4.50	5.25	7.00	**6.00**	6.50
Large Rate	16.50	14.00	17.00	**17.00**	14.00
Capital Tax (%) [D]	0.30	–	0.60	**0.30**	0.30
Banks	1.00/3.00	2.00	3.25	**3.00**	1.12
Employer Payroll Tax	–	–	–	**2.15**	1.95
Small Firms [E]	–	–	–	**0.00**	0.00
Sales Tax [F]	7.00	–	6.00	**7.00**	8.00
Diesel Fuel Tax (¢/l) [G,H]	11.50	9.00	15.00	**10.90**	14.30
Gasoline Tax (¢/l) [G,H]	11.00	9.00	15.00	**11.50**	14.70
Tobacco Tax (¢/cigarette) [I]	11.00	7.00	8.60	**9.60**	3.65

* This table was prepared before Alberta and Ontario presented their 2001 Budgets.

(A) Top marginal provincial rates on taxable income including surtaxes paid by taxpayers in the highest bracket.

(B) Values shown are for a family of two or more.

(C) Some provinces apply special rates to certain types of business income. Que. applies a 2.8% surtax on their corporation income tax rate of 8.9%. Que. has a five-year tax holiday and B.C. has a two-year tax holiday for new small businesses. Effective April 1, 2001, Alberta's small business rate fell from 6% to 5%, and the large business rate fell from 15.5% to 13.5%. Alberta's rates are expressed as averages for 2001.

(D) Man. imposes a 0.2% surtax on taxable paid-up capital in excess of $10 million. Sask. applies a 3.6% surcharge on specified resource sales of large corporations. Banks and trust companies in B.C. with paid-up capital less than $1 billion pay at a rate of 1.0%.

(E) Firms with payroll of $500,000 or less in Nfld., $400,000 or less in Ont., $1 million or less in Man., $1 million or less in Que.

(F) Retail Sales Tax refers to general rate only. Que. and P.E.I. apply the sales tax on top of GST-inclusive prices.

(G) Petroleum taxes are for regular gasoline and highway diesel fuel. Gasoline and diesel fuel are subject to a transit levy of 4 cents per litre in Vancouver and 1.5 cents per litre in Victoria and Montréal.

(H) QST applies on top of these rates in Que. HST applies on top of these rates in N.B., N.S. and Nfld.

(I) Provinces except B.C. and P.E.I. also apply sales taxes to tobacco products.

Que.	N.B.	N.S.	P.E.I.	Nfld.	
					Personal Income Tax
19.79	17.84	18.34	18.37	19.64	Top Marginal Rate (%) [A]
–	–	–	–	–	**Health Care Premiums ($)** [B]
					Corporation Income Tax (%) [C]
9.15	4.00	5.00	7.50	5.00	Small Rate
9.15	16.00	16.00	16.00	14.00	Large Rate
0.64	0.30	0.25	–	–	**Capital Tax (%)** [D]
1.28	3.00	3.00	3.00	4.00	Banks
4.26	–	–	–	2.00	**Employer Payroll Tax**
2.70	–	–	–	0.00	Small Firms [E]
7.50	8.00	8.00	10.00	8.00	**Sales Tax** [F]
16.20	13.70	15.40	13.50	16.50	**Diesel Fuel Tax (¢/l)** [G,H]
15.20	10.70	13.50	13.00	16.50	**Gasoline Tax (¢/l)** [G,H]
5.30	6.00	6.77	7.95	11.00	**Tobacco Tax (¢/cigarette)** [I]

Budget Paper E

THE MANITOBA ADVANTAGE

THE MANITOBA ADVANTAGE

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THE MANITOBA ADVANTAGE

Diverse and dynamic...that's Manitoba!

Manitoba has one of Canada's most diverse economies – it is a province with many strengths. Over time, this has provided Manitobans with economic security and stability.

Manitoba's economy is also dynamic. New investments and opportunities spring both from traditional industries, and from the new economic engines of the 21st century, including biomedical sciences, information and telecommunications technology, and electronics.

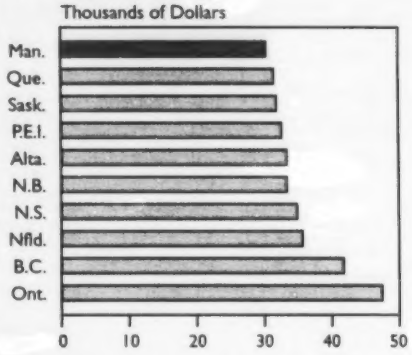
Manitoba's track record as a choice location for investment has led to strong employment and income growth. At the same time, Manitoba is safe, clean, friendly and convenient. Even though Winnipeg is a sophisticated urban centre, 92% of residents commute less than ten miles to their workplace, with two-thirds living within five miles of work!

According to the United Nations Human Development Index, Canada is the best place to live – for the seventh year in a row! Manitobans take pride in knowing that the quality of life in their province is among "the best of the best."

For business, The Manitoba Advantage includes a well-educated and multilingual labour force, extremely competitive costs for many major business expenses – office space, industrial land, utilities, energy – and a competitive tax environment.

Major companies continue to choose Manitoba as a place to invest and to grow. In recent years, companies at the forefront of their industries, like J.R. Simplot, Nexen Chemicals, Albchem Inc., Hudson Bay Mining & Smelting and Vansco Electronics, have recognized the considerable advantages that Manitoba has to offer.

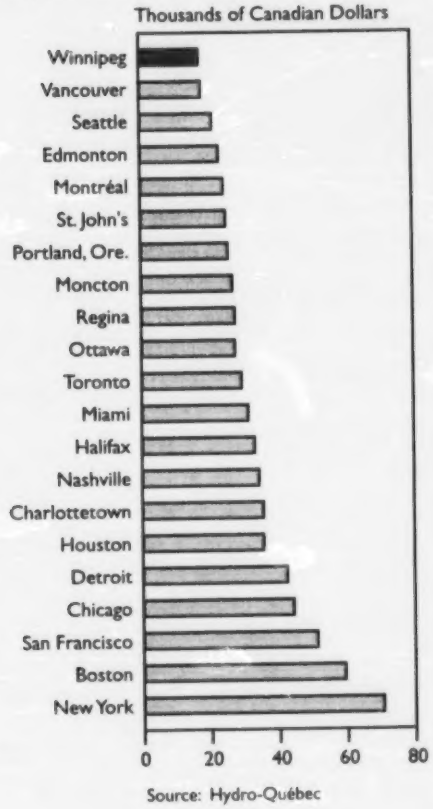
Annual Personal Costs and Taxes Two-Earner Family of Four Earning $60,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating, energy rebates and property taxes.

A married couple with two dependent children earning $60,000 between them has the third-lowest provincial levies and the lowest combined taxes and living costs in the country.

Monthly Industrial Electric Bills
Medium-sized Commercial/ Industrial Customer
400,000 Kilowatt Hours, 2000



Source: Hydro-Québec

The following pages provide more detail on The Manitoba Advantage, including both business and personal costs, as well as facts on Manitoba's quality of life. Appendix 1 documents Manitoba's distinct competitive advantages as a location for manufacturing and processing activity. Appendix 2 provides an interprovincial comparison of annual living costs and personal taxes.

What is The Manitoba Advantage?

- Manitoba has one of Canada's most diverse economies. Last year, Moody's Investors Services cited Winnipeg as having the most diverse economy among Canada's major cities. Manitoba is a major producer of a wide range of goods and services including aerospace equipment, urban and intercity buses, furniture, clothing, pharmaceuticals, financial and insurance services, hydro-electricity, chemicals and fertilizers, livestock, and call-centre services. The diversity of Manitoba's industrial structure provides greater stability to the overall economy; no one sector dominates the Manitoba economic scene.

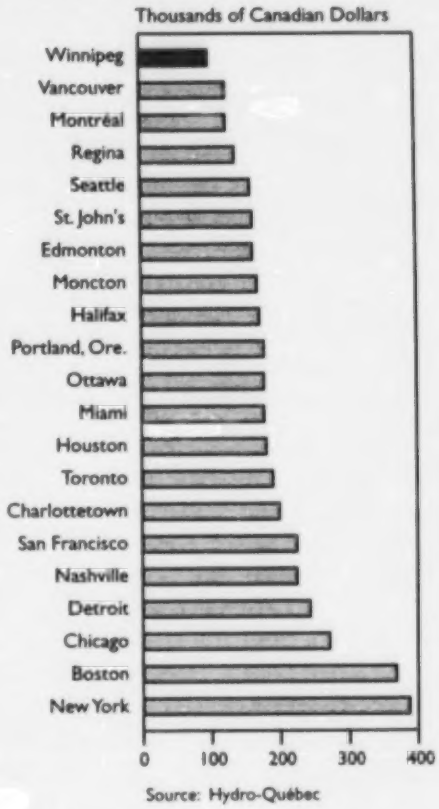
- Manitoba has continued to see its knowledge-based industries expand, particularly in the areas of business services and telecommunications. Overall, the more stable service-producing industries account for 71% of Manitoba's GDP, higher than the Canadian average of 67%. Manufacturing is Manitoba's largest goods-producing industry; the large manufacturing presence promotes the development of a skilled and knowledgeable labour force within the province.

- Manitoba's location at the northern end of the mid-continental trade corridor, as well as at a major junction of Canada's east-west transportation system, places the province in a strong position in

terms of expanding trade and transportation links. Winnipeg is served by an intercontinental railway system that operates intermodal terminals in Winnipeg, handling over 85,000 containers per year. The extensive and modern rail car marshalling facilities allow for handling of 5,000 rail cars per day. These facilities offer substantial flexibility and cost savings to business, with ready access to the U.S. through three separate railway lines from Winnipeg. Manitoba's central position in Canada also makes it an ideal centre for the trucking industry, and many of the leading interprovincial and transborder trucking firms are headquartered in Manitoba. Manitoba's location on the mid-continental trade corridor, provides easy trucking access to the Midwest and Great Lakes states, as well as ready access to the southern U.S. and Mexico via the U.S. interstate highway system.

- Winnipeg International Airport is one of the few major North American airports which operate 24 hours a day. Favourable climate allows the Airport to be operational more than 99% of the time. The Airport offers a broad range of services, including international carriers, commuter airlines, jet freight and extensive cargo and courier facilities. It serves three million passengers through 158,000 aircraft movements per year, and moves 100,000 tonnes of air cargo annually.
- Churchill is Canada's only deep water port in the prairie region. Last year, the Port of Churchill posted its strongest shipping season in over 20 years. Improvements to the Port facility have now opened Churchill to ship sizes of up to 55,000 tonnes. Manitoba's northern seaport is the long established gateway for shipments of agricultural and mineral commodities. It offers shippers major cost advantages for ocean shipping to markets in Europe and Latin America.

Monthly Industrial Electric Bills
Large-sized Commercial/ Industrial Customer
3,060,000 Kilowatt Hours, 2000



Source: Hydro-Québec

A recent study by the Conference Board of Canada has found that support for research and development in Manitoba is among the most attractive in North America.

- Manitoba's hydro-electric rates are among the lowest in the world. Manitoba Hydro, one of North America's major electricity companies, has generating capacity of over 5,000 megawatts. Virtually all of this energy is generated by clean, reliable and environmentally desirable water-powered facilities. Manitoba Hydro has also identified several potential hydraulic power generating sites which could add a further 5,000 megawatts to its capacity. This ensures that Manitobans will continue to have access to clean and affordable power both today and in the future.

- Manitoba is blessed with an abundance of natural resources. Forestry and fishing are part of Manitoba's primary industry mix. Manitoba's freshwater fishery produces about 12 million kilograms of whitefish, walleye and other species, exporting the catch throughout North America. A diverse variety of minerals is produced in Manitoba including, nickel, copper, lead, zinc, gold and tantulum. Last year, Manitoba's mineral sector posted $1.3 billion in production. Careful management of Manitoba's natural endowments provides for the sustainable development of Manitoba's resources for both the current and future generations.

- Manitoba enjoys an advanced connectivity through extensive telecommunications and information infrastructure. Manitoba's direct access to the world includes an extensive and rapidly growing presence of high-density broadband networks, as well as over 75,000 kilometres of fibre-optic cabling, and 100% digital switching throughout the province.

- Research and innovation continue to play an important role in Manitoba's economic growth and diversification. Manitoba has a strong and growing knowledge cluster in biomedical sciences, including significant research and innovation facilities supported by private

industry, government and post-secondary institutions. Other major research initiatives are in place in engineering, agriculture and food sciences, and information technology.

- A recent study by the Conference Board of Canada has found that support for research and development in Manitoba is among the most attractive in North America. The Province of Manitoba supports private research and development activity through the Manitoba Research and Development Tax Credit. Last year, it is estimated that over 100 Manitoba firms benefited from the R & D Tax Credit. As well, provincial support for university research and innovation in 2000/01 through grants and contributions totalled over $13 million.

- Manitoba's commitment to important public services, such as health care and education, continues to grow. The 2001 Manitoba Budget strengthens Manitoba's health care system. There are also no premiums or personal charges for health services. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., employers incur $3,000 to $4,000 annually per employee in health care insurance costs.

- Manitobans also enjoy quality public education, as well as affordable, high-quality post-secondary education opportunities in our universities and colleges. Manitoba is home to four universities; the largest, the University of Manitoba, has 21,000 full-time students. The University is internationally recognized as a research leader in many fields, including engineering, health, biomedical sciences, applied nutritional sciences, and sustainable agriculture. Manitoba's average tuition fee for undergraduate programs last year was third-lowest among the ten provinces.

- Winnipeg is recognized as one of the best places in Canada for families. Affordable living costs, excellent child-care options, a strong education

Intercity Index of Retail Price Differential

Source: Statistics Canada

Average House Price Executive Detached Two-storey

Toronto	$ 320,000
Vancouver	310,000
Calgary	231,000
Montréal	205,000
Fredericton	178,000
Halifax	178,000
St. John's	174,000
Charlottetown	160,000
Winnipeg	**160,000**
Regina	155,000

Source: Royal LePage *Survey of Canadian House Prices*, Fall 2000

Average House Price Standard Townhouse

Toronto	$ 181,000
Vancouver	181,000
Calgary	140,000
Fredericton	130,000
Montréal	110,000
Halifax	101,000
Charlottetown	80,000
St. John's	70,000
Winnipeg	**64,000**
Regina	60,000

Source: Royal LePage *Survey of Canadian House Prices*, Fall 2000

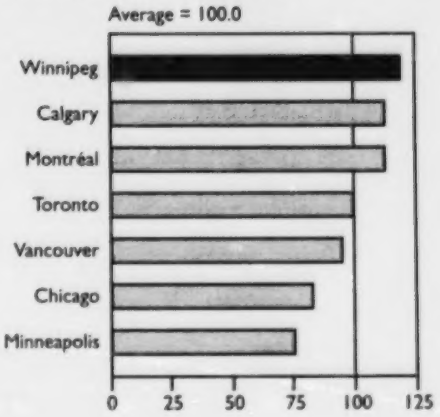
system, and a clean environment all make Manitoba a great place to raise a family.

- Manitoba's population has created a rich and fascinating mosaic of cultural and artistic accomplishments. Folklorama, a celebration of the many cultures of Manitoba, which was recently recognized as the Best Cultural Event by the Canadian Event Industry, attracts over 400,000 pavilion visits during its two-week run. Manitoba's other cultural festivals include: the Brandon Royal Winter Fair; Northern Manitoba's Trappers' Festival in The Pas; the Winnipeg Folk Festival, one of the largest in North America; the Jazz Winnipeg Festival; the Festival du Voyageur, a celebration of Manitoba's French-Canadian heritage; Canada's National Ukrainian Festival in Dauphin; and numerous music and theatrical festivals. Winnipeg is also home to the second-largest community of French-speaking Canadians outside of Québec, as well as Canada's oldest continuously operating French theatre, Le Cercle Molière.

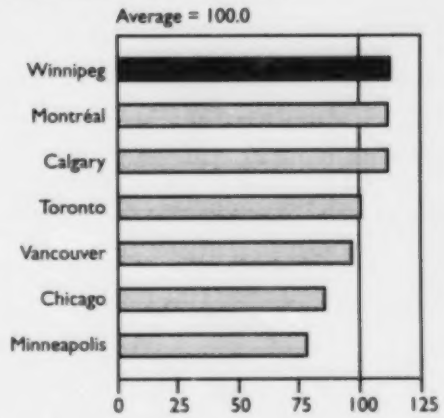
- Winnipeg has an active artistic and cultural scene, including the Winnipeg Art Gallery, the Manitoba Museum of Man and Nature, the Winnipeg Symphony Orchestra, several live theatre centres, and the Manitoba Opera. The internationally renowned Royal Winnipeg Ballet is Canada's oldest dance company; one of Canada's cultural treasures, the company tours extensively and brings to the world what Manitobans enjoy at home. The Winnipeg Fringe Theatre Festival is the second-largest in North America, with an attendance of over 120,000. The enthusiastic support of Manitobans for the arts is evident in the Statistics Canada data, which show that Manitoba's performing arts companies enjoyed among the highest per capita revenue in Canada, including revenue from ticket sales, public grants and fund raising. Manitoba ranked highly in each of these categories.

- Manitobans care. Overall, Manitobans have among the highest rates of volunteerism in Canada. Moreover, Manitobans' charitable giving is the most generous in Canada. These facts reflect our community spirit and our long and deep tradition of caring.
- There are professional sports teams in the International Hockey League, the Canadian Football League, the Northern Baseball League, and the International Basketball Association. In recent years, the province successfully hosted sporting events such as the Grey Cup, the World Curling Championships, the Canada Summer Games, the World Junior Hockey Championships and the 2001 Canadian Figure Skating Championships. In 1999, Manitoba was host to the Pan American Games, the biggest multi-sport event ever held in Canada.
- There are 2.5 million acres of parkland and more than 120 golf courses in the province. Manitoba also has one of the best ratios of golf courses to golfers in Canada, as well as one of the highest golfing participation rates in Canada. Last year, Manitoba hosted the Canada Senior Open golf tournament.
- Beaches, lakes and parks are integral parts of Manitoba's high quality of life. Grand Beach on Lake Winnipeg is acknowledged as one of the best in North America. Manitoba is a province of 100,000 lakes, and cottage country is never more than a short drive away. Visitors can watch the polar bear migration or view beluga whales near Churchill, enjoy the bison at Riding Mountain National Park or enjoy the great landings of migratory ducks and geese throughout the province. Winters sparkle in Manitoba, with extensive family recreation opportunities for skiing, curling, snowmobiling and (of course) hockey! The choices for recreation are almost endless. Best of all, there are so many great outdoor destinations and

Internal Rates of Return Small Manufacturing Firm in Cities over 500,000



Internal Rates of Return Larger Manufacturing Firm in Cities over 500,000



Manitobans pride themselves on being careful stewards of their natural environment through conservation and wildlife management programs.

activities that it is easy to get away and enjoy Manitoba's natural beauty.

- While Manitoba's population is large enough to support a diverse cultural and sporting life, it is small enough to keep the air and water clean, the traffic moving, and the natural places of our province pristine. Manitobans pride themselves on being careful stewards of their natural environment through conservation and wildlife management programs.

In Budget 2001, the Government has introduced a number of measures to further extend The Manitoba Advantage. To show Manitoba's cost advantages in more detail, two Appendices are attached. The first, Manitoba's Competitive Environment for Manufacturing, provides a more detailed comparison of the taxes and costs faced by typical manufacturers in various Canadian and American cities. The second is an Interprovincial Comparison of Annual Personal Costs and Taxes.

APPENDIX 1: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manufacturing is Manitoba's largest industrial sector, accounting for 14% of provincial GDP. Capital investment in manufacturing in 2000 increased 11.7% to the second-highest level ever recorded. Manufacturing led all industries in employment growth last year, with an increase of 9.8%. Over the last three years, manufacturing employment has increased by over 19%.

With significant production in over 15 distinct industries, the manufacturing sector is both highly diversified as well as being a major contributor to Manitoba's economy. Manitoba is North America's largest manufacturer of buses, producing both intercity and urban buses. Manitoba is Canada's third-largest producer in the aerospace sector, with over $1 billion in sales. Over 100 apparel firms contribute to making Manitoba Canada's third-largest apparel manufacturing centre. Food and beverage industries, with strong linkages to Manitoba's agriculture sector, shipped $2.8 billion of products last year.

There are many factors that make Manitoba a competitive place for manufacturers to conduct business. Manitoba is centrally located, with excellent transportation links to other parts of North America. Industrial and commercial land costs are lower than in most other major metropolitan centres, and our electricity rates are among the lowest in the world. Manitoba manufacturing firms are also quick to recognize the province's well-educated, skilled, and committed labour force.

The Manitoba Finance competitiveness model is used to quantitatively evaluate Manitoba's tax structure and cost environment for a representative small and a larger manufacturing firm. The model is used to assess Manitoba's competitive position relative to selected other North American cities.

The model simulates present and future start-up costs, operating costs, financial and taxation profiles over a period of 20 years. The model incorporates future reductions in Corporation Income Tax that have been announced by provincial governments but have not been enacted into legislation. The current analysis is an update of the previous manufacturing competitiveness model, which was first developed in the early 1990s. The representative firms' profiles have also been updated using the most recent data available from Statistics Canada, local economic development boards, and other public sources.

■ Interjurisdiction Competitiveness

The following indicators are used to assess cost and tax competitiveness for a small and a larger manufacturing firm over a 20-year period:

- net cost of investment, or start-up costs (including applicable taxes);
- pre-tax net income;
- effective tax rates; and
- internal rates of return.

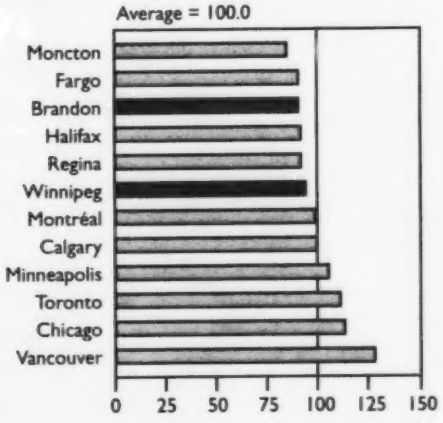
This analysis uses a variable cost model and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location. The simulation results for each city are compared to the overall average of all cities for each of the indicators, and are presented in the charts that follow.

All amounts for the U.S. cities were converted to equivalent Canadian dollar amounts using the average exchange rate for January 2001 to March 2001 of US$1.00 = C$1.52.

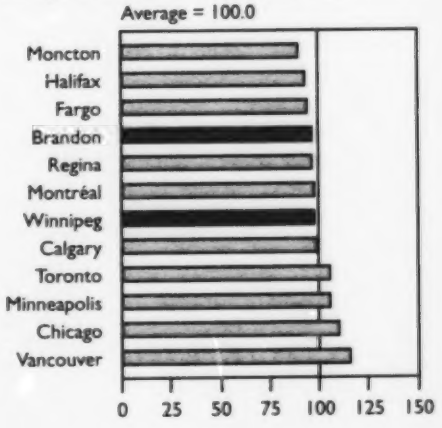
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings and machinery) are lower in Manitoba than the average for all cities. The net cost of investment for the larger metropolitan centres tends to be higher than the overall average, primarily because of the higher cost of land.

Net Cost of Investment
Small Manufacturing Firm



Net Cost of Investment
Larger Manufacturing Firm



Pre-Tax Net Income

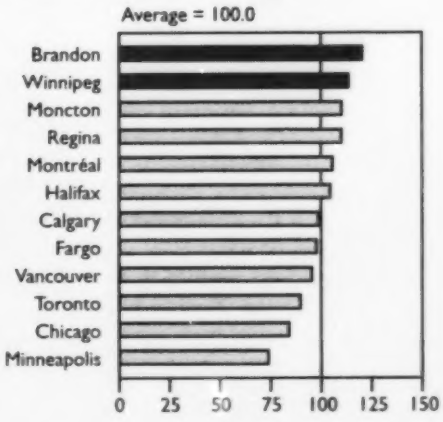
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

- average manufacturing wages;
- local utility charges (electricity and telephone);
- interest costs; and
- capital depreciation.

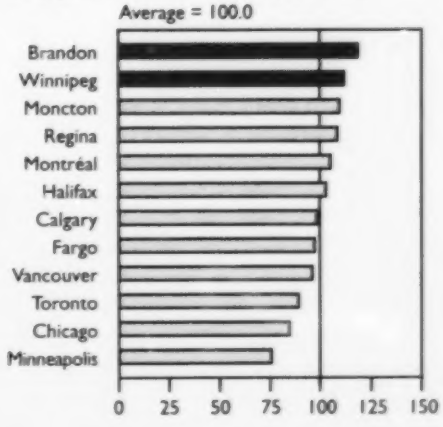
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. The sales figures used in the simulation model are fixed across the cities, rising to $4 million for the small firm and $45 million for the larger firm for years five through twenty. Production material costs are expressed as a percentage of sales and are also fixed across jurisdictions. A higher pre-tax income indicates lower operating costs in a given jurisdiction.

Brandon and Winnipeg yield the highest pre-tax net income for both the small and larger manufacturing firms. A talented, well-educated and productive labour force, and low utility costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

Pre-Tax Net Income
Small Manufacturing Firm



Pre-Tax Net Income
Larger Manufacturing Firm



Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year period.

The following operating taxes are included in the analysis:

- corporation income taxes;
- local property and business taxes;
- corpora ion capital and U.S. franchise taxes;
- payroll taxes;
- workers' compensation premiums;
- statutory pension and unemployment insurance premiums; and
- employer-paid health premiums.

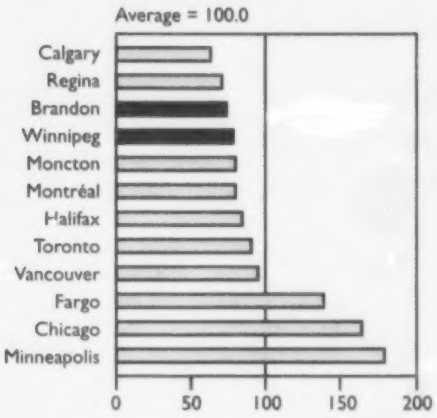
The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits;
- tax holidays;
- accelerated capital cost allowances; and
- preferential tax rates.

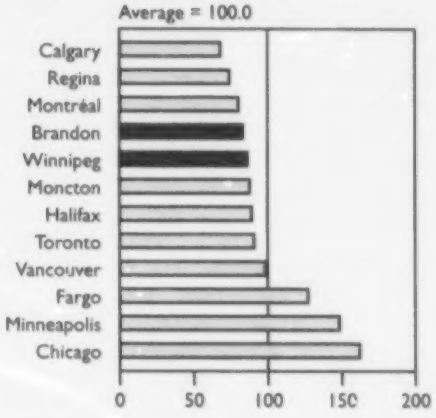
Not included in the models are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs.

The effective tax rates in Manitoba are lower than average. Among Canadian cities, Manitoba cities have lower than average effective tax rates among small manufacturing firms. They are about average for larger firms.

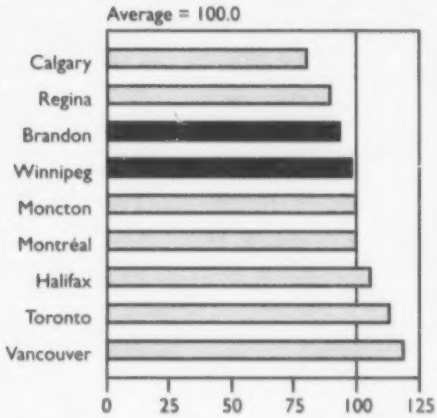
Effective Tax Rates
Small Manufacturing Firm



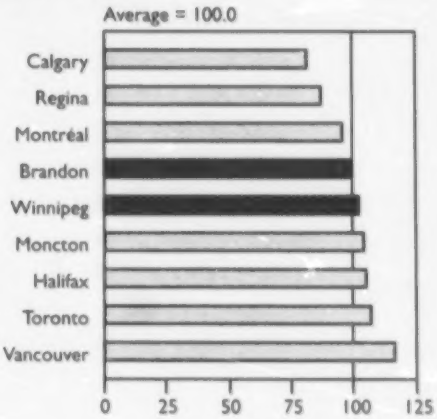
Effective Tax Rates
Larger Manufacturing Firm



Effective Tax Rates
Small Manufacturing Firm
Canadian Cities



Effective Tax Rates
Larger Manufacturing Firm
Canadian Cities



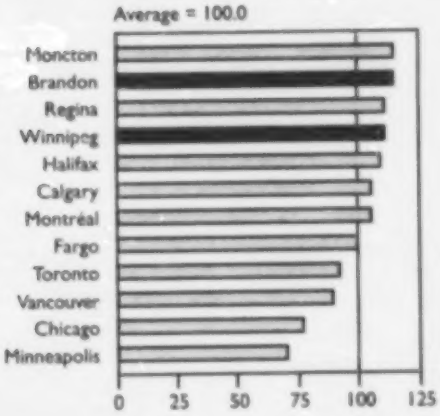
Overall Competitiveness

Overall competitiveness is measured by comparing internal rates of return. The internal rate of return is often used for business investment and location decision making. The following charts illustrate the combined effect of taxes and costs on the after-tax internal rates of return for the representative small and larger manufacturing corporations in the selected jurisdictions.

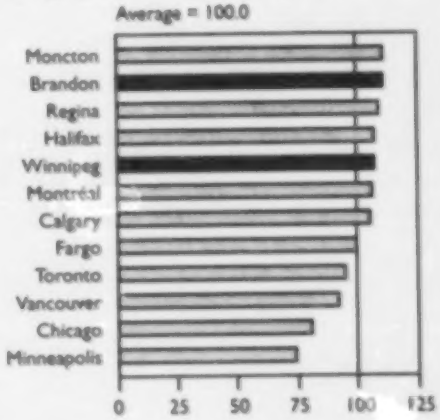
The internal rates of return for both Winnipeg and Brandon are better than the overall average of the cities included in the study.

Brandon has the second-highest rate of return among all cities for both the small and larger manufacturing firms. Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for small and larger manufacturing firms.

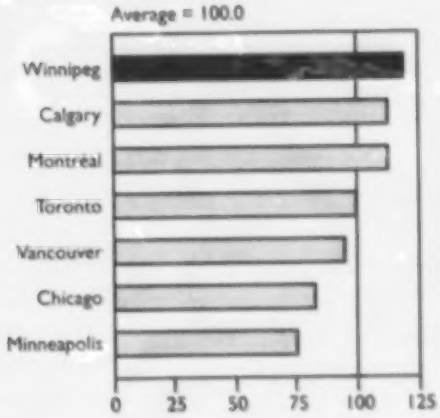
Internal Rates of Return Small Manufacturing Firm



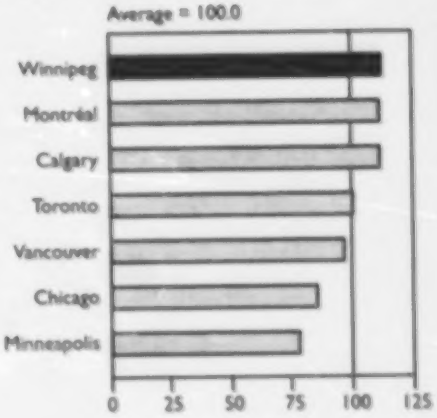
Internal Rates of Return Larger Manufacturing Firm



Internal Rates of Return Small Manufacturing Firm in Cities over 500,000



Internal Rates of Return Larger Manufacturing Firm in Cities over 500,000



Conclusion

Location-sensitive costs are generally lower in Manitoba than in the other jurisdictions included in this study.

Effective tax rates suggest that Manitoba's business tax regime is competitive with those of other provinces and the U.S. cities included in the study.

Most importantly, Manitoba has one of the best overall business tax and cost environments for manufacturing.

These results are consistent with findings released in prior Manitoba Budgets using the same model to generate indices to compare competitiveness.

APPENDIX 2: 2001 INTERPROVINCIAL COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES

This is the tenth successive Manitoba Budget to include an interprovincial comparison of personal costs and taxes. In 1992 and 1993, the comparison was provided for a single-earner family of four with $40,000 in income. In 1994, the comparison was expanded to include a single person with $20,000 in income, and a single-earner family of four with $60,000 in income.

The structure of families in Manitoba has changed significantly over time. Provincial income tax statistics show that approximately 80% of all married families now have two earners. To reflect this changing family structure, the income used for the single person comparison has been changed to $30,000, and three new tables have been added, showing costs for a single-parent family of two at $30,000 in income, a two-earner family of four at $60,000, and a two-earner family of five at $75,000 in income. The single-earner family tables have also been calculated so that comparisons can be made with previous years.

The baseline assumptions used to calculate the costs have been modified for two-earner families, to reflect the higher costs of having two family members in the work force. The most significant cost increase for a two-earner family is child care expenses.

Child care expenses have been included for two reasons – they are a very real and very significant expense for families where both parents work, and the level of child care fees is directly related to the level of government support. In some jurisdictions where personal income tax rates have been reduced, operating grants to child care providers also have been reduced or eliminated. The net effect on some two-earner families in those jurisdictions has been an increase in overall family expenditures.

Manitoba's top marginal tax rate is the third-lowest in Canada. Also, Manitoba's sales tax rate of 7% is still the second-lowest of all provinces that levy a retail sales tax.

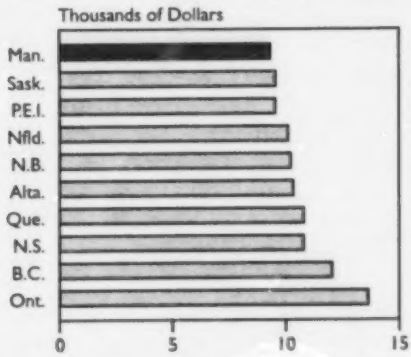
The charts below show that Manitoba remains one of the most affordable provinces to live in. Low living costs* and personal taxes mean that all Manitobans are able to enjoy a high standard of living in relation to other parts of the country. This makes Manitoba a more competitive and attractive location for both new and expanding businesses.

A superior quality of living, with lower personal costs and taxes, is clearly an important part of The Manitoba Advantage.

* Includes income, retail sales and gasoline taxes, health premiums, child benefits, rent or mortgage costs, property taxes, public transit costs or auto insurance, child care, telephone service, electricity, heating and energy rebates.

A single Manitoba taxpayer earning $30,000 pays the third-lowest provincial levies and the lowest combined taxes and living costs in the country.

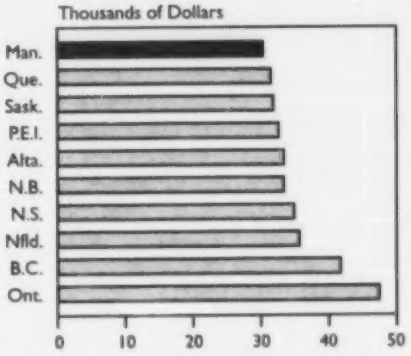
Annual Personal Costs and Taxes Single Person Earning $30,000*



*Includes income, retail sales and gasoline taxes, health premiums, rent, public transit costs, telephone service, electricity, heating, and energy rebates.

A married couple with two dependent children earning $60,000 between them has the third-lowest provincial levies and the lowest combined taxes and living costs in the country.

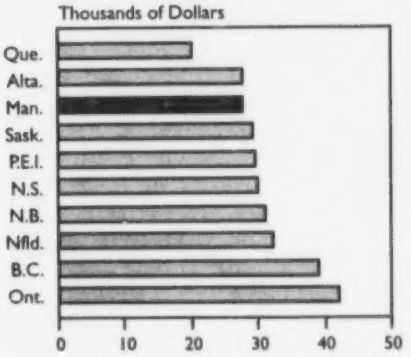
Annual Personal Costs and Taxes Two-Earner Family of Four Earning $60,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating, energy rebates and property taxes.

A single parent with one dependent child earning $30,000 has the third-lowest provincial levies and the third-lowest combined taxes and living costs in the country.

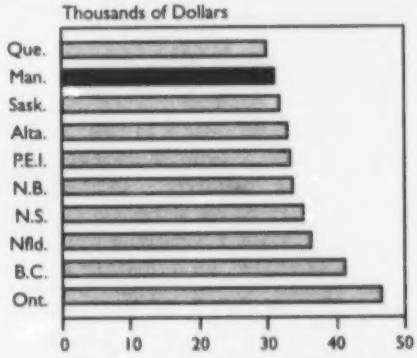
Annual Personal Costs and Taxes Single Parent with One Child Earning $30,000*



*Includes income, retail sales and gasoline taxes, health premiums, rent, auto insurance, telephone service, electricity, heating, energy rebates and child care.

A married couple with three dependent children earning $75,000 between them has the fifth-lowest provincial levies and the second-lowest combined taxes and living costs in the country.

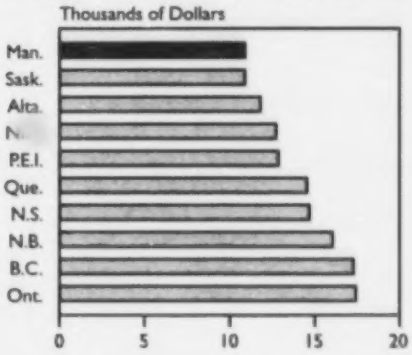
Annual Personal Costs and Taxes Two-Earner Family of Five Earning $75,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating, energy rebates and property taxes.

A married taxpayer earning $40,000 with a dependent spouse and two dependent children has the third-lowest provincial levies and the lowest combined taxes and living costs in the country.

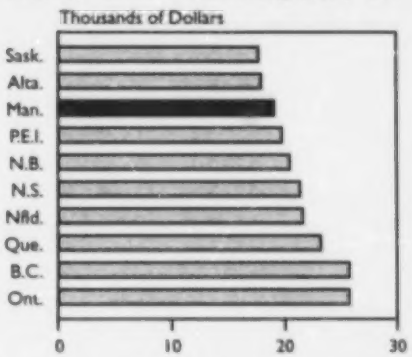
Annual Personal Costs and Taxes
Family of Four Earning $40,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating, energy rebates and property taxes.

A married taxpayer earning $60,000 with a dependent spouse and two dependent children has the fifth-lowest provincial levies and the third-lowest combined taxes and living costs in the country.

Annual Personal Costs and Taxes
Family of Four Earning $60,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating, energy rebates and property taxes.

2001 Comparison of Annual Personal Costs and Taxes

Single Person: $30,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	1,696	1,529	2,271	**1,864**	1,287
Retail Sales Tax	463	0	396	**476**	552
Health Premiums	432	408	0	**0**	0
Provincial Levies	2,591	1,937	2,667	**2,340**	1,839
Rent	8,340	7,332	5,532	**5,676**	9,960
Electricity	301	789	482	**320**	466
Energy Rebates	(250)	(630)	(25)	**0**	0
Transit Fares	756	630	564	**739**	1,062
Telephone	299	273	264	**286**	263
Living Costs	9,447	8,394	6,817	**7,022**	11,752
Total Costs	12,038	10,331	9,484	**9,362**	13,591

Single Parent One Child: $30,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	607	0	766	**35**	(202)
Child Benefits	(1,106)	(414)	0	**0**	(1,070)
Retail Sales Tax	602	0	515	**619**	718
Gasoline Tax	300	180	300	**230**	294
Health Premiums	768	816	0	**0**	0
Provincial Levies	1,171	582	1,581	**884**	(260)
Rent	10,680	8,880	6,588	**7,056**	11,748
Child Care	6,107	2,855	4,680	**4,590**	7,487
Electricity	388	977	593	**398**	578
Energy Rebates	(300)	(630)	(50)	**0**	0
Auto Insurance	1,047	860	841	**660**	1,140
Telephone	299	273	264	**286**	263
Living Costs	18,221	13,215	12,916	**12,990**	21,216
Total Costs	19,392	13,797	14,497	**13,874**	20,956

Sums may not add due to rounding.

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Single Person: $30,000**
3,102	2,011	2,068	2,036	2,219	Provincial Income Tax
630	741	748	623	727	Retail Sales Tax
0	0	0	0	0	Health Premiums
3,782	2,752	2,816	2,659	2,946	Provincial Levies
5,496	6,000	6,468	5,256	5,724	Rent
356	530	502	609	500	Electricity
0	0	0	0	0	Energy Rebates
582	624	684	720	660	Transit Fares
263	240	300	267	239	Telephone
6,697	7,394	7,954	6,852	7,124	Living Costs
10,479	10,146	10,770	9,511	10,070	Total Costs

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Single Parent One Child: $30,000**
235	923	1,130	974	992	Provincial Income Tax
(160)	(167)	0	0	0	Child Benefits
819	964	973	810	945	Retail Sales Tax
334	214	270	260	330	Gasoline Tax
0	0	0	0	0	Health Premiums
1,228	1,934	2,373	2,044	2,267	Provincial Levies
6,108	7,056	7,776	6,516	6,624	Rent
1,305	4,940	3,254	4,541	5,340	Child Care
427	643	627	739	602	Electricity
0	0	0	0	0	Energy Rebates
702	690	663	560	934	Auto Insurance
263	240	300	267	239	Telephone
8,805	13,569	12,620	12,623	13,739	Living Costs
10,033	15,503	14,993	14,667	16,006	Total Costs

2001 Comparison of Annual Personal Costs and Taxes

Single Earner Family of 4: $40,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	2,246	1,183	2,342	**2,428**	1,731
Child Benefits	0	(400)	0	**0**	0
Property Tax Credits	(470)	0	0	**(400)**	(50)
Retail Sales Tax	1,163	0	1,036	**1,196**	1,337
Gasoline Tax	300	180	300	**230**	294
Health Premiums	864	816	0	**0**	0
Provincial Levies	4,103	1,779	3,678	**3,454**	3,312
Mortgage Costs	8,275	6,395	2,751	**2,917**	8,275
Property Tax	1,654	1,148	1,453	**1,595**	1,925
Home Heating	1,065	970	673	**934**	1,029
Electricity	561	1,351	813	**552**	803
Energy Rebates	(200)	(1,380)	0	**0**	0
Auto Insurance	1,169	1,049	1,043	**906**	1,512
Telephone	599	546	528	**573**	527
Living Costs	13,123	10,079	7,261	**7,478**	14,071
Total Costs	17,226	11,858	10,939	**10,932**	17,383

Single Earner Family of 4: $60,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	4,626	3,183	5,042	**5,898**	3,618
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(470)	0	0	**(400)**	0
Retail Sales Tax	1,451	0	1,331	**1,492**	1,701
Gasoline Tax	300	180	300	**230**	294
Health Premiums	864	816	0	**0**	0
Provincial Levies	6,771	4,179	6,673	**7,220**	5,613
Mortgage Costs	12,561	8,619	5,043	**5,423**	12,721
Property Tax	2,350	1,800	2,375	**2,934**	2,700
Home Heating	1,552	1,378	947	**1,342**	1,477
Electricity	734	1,725	1,034	**707**	1,027
Energy Rebates	(200)	(1,380)	0	**0**	0
Auto Insurance	1,169	1,049	1,043	**906**	1,512
Telephone	599	546	528	**573**	527
Living Costs	18,765	13,736	10,969	**11,885**	19,964
Total Costs	25,536	17,915	17,642	**19,105**	25,577

Sums may not add due to rounding.

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Single Earner Family of 4: $40,000**
1,970	2,791	2,909	2,714	3,136	Provincial Income Tax
(160)	0	0	0	0	Child Benefits
(94)	0	0	0	0	Property Tax Credits
1,600	1,871	1,888	1,570	1,841	Retail Sales Tax
334	214	270	260	330	Gasoline Tax
0	0	0	0	0	Health Premiums
3,650	4,876	5,067	4,544	5,307	Provincial Levies
5,043	5,960	4,649	3,667	3,201	Mortgage Costs
2,200	1,828	1,477	1,300	650	Property Tax
1,376	1,228	1,208	1,062	1,219	Home Heating
569	870	878	1,000	805	Electricity
0	0	0	0	0	Energy Rebates
1,194	840	830	704	1,048	Auto Insurance
527	480	600	534	479	Telephone
10,909	11,206	9,641	8,267	7,402	Living Costs
14,559	16,082	14,708	12,811	12,709	Total Costs

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Single Earner Family of 4: $60,000**
6,370	5,755	5,913	5,501	6,383	Provincial Income Tax
0	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,247	2,519	2,543	2,110	2,481	Retail Sales Tax
334	214	270	260	330	Gasoline Tax
0	0	0	0	0	Health Premiums
8,951	8,488	8,726	7,871	9,194	Provincial Levies
6,876	5,960	6,326	6,051	6,647	Mortgage Costs
2,729	1,769	1,970	1,800	1,300	Property Tax
2,064	1,842	1,812	1,594	1,829	Home Heating
724	1,097	1,128	1,261	1,008	Electricity
0	0	0	0	0	Energy Rebates
1,194	840	830	704	1,048	Auto Insurance
527	480	600	534	479	Telephone
14,114	11,988	12,666	11,944	12,311	Living Costs
23,065	20,476	21,392	19,815	21,505	Total Costs

2001 Comparison of Annual Personal Costs and Taxes

Two-Earner Family of 4: $60,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	2,892	2,197	3,474	**3,565**	1,995
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(470)	0	0	**(400)**	0
Retail Sales Tax	1,451	0	1,331	**1,492**	1,701
Gasoline Tax	450	270	450	**345**	441
Health Premiums	864	816	0	**0**	0
Provincial Levies	5,187	3,283	5,255	**5,002**	4,137
Mortgage Costs	12,561	8,619	5,043	**5,423**	12,721
Property Tax	2,350	1,800	2,375	**2,934**	2,700
Child Care	8,242	8,605	8,210	**6,745**	12,412
Home Heating	1,552	1,378	947	**1,342**	1,477
Electricity	734	1,725	1,034	**707**	1,027
Energy Rebates	(200)	(1,380)	0	**0**	0
Auto Insurance	2,216	1,909	1,884	**1,566**	2,652
Telephone	599	546	528	**573**	527
Living Costs	28,054	23,201	20,020	**19,289**	33,516
Total Costs	33,241	26,484	25,275	**24,291**	37,653

Two-Earner Family of 5: $75,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	3,884	3,095	4,576	**4,920**	2,644
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(470)	0	0	**(400)**	0
Retail Sales Tax	2,055	0	1,890	**2,113**	2,307
Gasoline Tax	450	270	450	**345**	441
Health Premiums	864	816	0	**0**	0
Provincial Levies	6,783	4,181	6,916	**6,978**	5,392
Mortgage Costs	12,561	8,619	5,043	**5,423**	12,721
Property Tax	2,350	1,800	2,375	**2,934**	2,700
Child Care	14,622	14,065	13,130	**11,335**	19,899
Home Heating	1,552	1,378	947	**1,342**	1,477
Electricity	734	1,725	1,034	**707**	1,027
Energy Rebates	(200)	(1,380)	0	**0**	0
Auto Insurance	2,216	1,909	1,884	**1,566**	2,652
Telephone	599	546	528	**573**	527
Living Costs	34,434	28,661	24,940	**23,878**	41,003
Total Costs	41,217	32,841	31,856	**30,856**	46,395

Sums may not add due to rounding.

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Two-Earner Family of 4: $60,000**
5,135	3,575	3,670	3,547	3,884	Provincial Income Tax
0	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,247	2,519	2,543	2,110	2,481	Retail Sales Tax
501	321	405	390	495	Gasoline Tax
0	0	0	0	0	Health Premiums
7,883	6,415	6,618	6,047	6,860	Provincial Levies
6,876	5,960	6,326	6,051	6,647	Mortgage Costs
2,729	1,769	1,970	1,800	1,300	Property Tax
2,450	7,401	7,747	7,493	8,200	Child Care
2,064	1,842	1,812	1,594	1,829	Home Heating
724	1,097	1,128	1,261	1,008	Electricity
0	0	0	0	0	Energy Rebates
1,896	1,530	1,493	1,264	1,982	Auto Insurance
527	480	600	534	479	Telephone
17,266	20,078	21,076	19,997	21,444	Living Costs
25,149	26,493	27,694	26,044	28,304	Total Costs

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Two-Earner Family of 5: $75,000**
7,643	4,957	5,064	4,838	5,349	Provincial Income Tax
0	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
3,325	3,525	3,559	2,993	3,467	Retail Sales Tax
501	321	405	390	495	Gasoline Tax
0	0	0	0	0	Health Premiums
11,469	8,803	9,027	8,221	9,310	Provincial Levies
6,876	5,960	6,326	6,051	6,647	Mortgage Costs
2,729	1,769	1,970	1,800	1,300	Property Tax
3,755	12,341	12,691	12,433	13,540	Child Care
2,064	1,842	1,812	1,594	1,829	Home Heating
724	1,097	1,128	1,261	1,008	Electricity
0	0	0	0	0	Energy Rebates
1,896	1,530	1,493	1,264	1,982	Auto Insurance
527	480	600	534	479	Telephone
18,571	25,018	26,020	24,937	26,785	Living Costs
30,040	33,821	35,047	33,158	36,095	Total Costs

NOTES

Taxes, charges and living costs are based on information available on April 1, 2001, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's.

Provincial Income Tax is calculated for a single renter with $30,000 earned income, a single parent with one child who rents and has $30,000 in earned income, and four homeowners with $40,000, $60,000 and $75,000 of earned income, respectively. Families include either one income earner, a spouse, and two dependent children (ages 3 and 7); two income earners and two dependent children (ages 3 and 7); or two income earners and three dependent children (ages 3, 5 and 7). For two-earner families, one spouse is assumed to earn 60% of the family income while the other spouse earns 40%. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. For the single parent, child care costs unique to each province have been deducted from income. For two-earner families, child care costs have been deducted from the income of the spouse with the lower income. Gross Québec personal income tax has been reduced by the 16.5% abatement from federal income tax. Refundable sales tax credits and provincial tax reductions have been deducted from income tax payable. Rental credits are included in income tax, but property tax credits are shown as a separate line.

Child Benefits represent provincial programs comparable to the National Child Benefit and include earned income supplements where applicable.

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the Survey of Family Expenditures in 1992 (Statistics Canada), inflated to 2001 values and adjusted for family size.

Gasoline Tax is based on annual consumption of 2,000 litres for single-earner families, and 3,000 litres for the two-earner families at $60,000 and $75,000; this includes the 4.0 cents per litre transit levy imposed in Vancouver, and the 1.5 cents per litre levy imposed in Montréal.

Energy Rebates include income-tested rebate programs for eligible individuals and families in British Columbia, Saskatchewan, Nova Scotia and Newfoundland, the second half of the Alberta Energy Tax Refund (payable in April 2001), the $200 B.C. Hydro credit, the Alberta Natural Gas Rebate and the Alberta Electricity Rebate.

Health Premiums are annual premiums for hospital insurance and medical services in provinces which levy them.

Mortgage Costs are based on one-half the average home prices for a standard townhouse for families with $40,000 of income, or a standard two-storey for families with $60,000 and $75,000 of income, per the *Royal LePage Fall 2000 Survey*, for a 25-year term, amortized at a five-year interest rate of 7.75%.

Property Tax is based on the average gross property taxes for a standard townhouse for families with $40,000 of income, or a standard two-storey for families with $60,000 and $75,000 of income, per the *Royal LePage Fall 2000 Survey.*

Rent is from Canada Mortgage and Housing Corporation's *Rental Market Survey, October 2000*, and is based on average one-bedroom apartment rents for each urban centre for the single person, and average two-bedroom apartment rents for the single-parent family.

Child Care is based on average fees for full-time preschool care for the three-year old and the five-year old, before and after school care for the seven-year old, and 6 weeks of summer day camp for the seven-year old. Québec figures are based on the $5 per day child care program. Average fees were based on *Early Childhood Care and Education in Canada· Provinces and Territories*, and were updated by a telephone and Internet survey of different cities.

Auto Insurance for two-parent families is based on a 1999 Taurus LX. Coverage includes $1 million third-party liability, and $200 all perils deductible in British Columbia, Saskatchewan and Manitoba; $250 all perils deductible in Alberta, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland; $300 all perils deductible in Ontario. The driver is married, age 30, has been accident-free for seven or more years; the auto is driven to work (15km, one way). The two-earner families with $60,000 and $75,000 of income also insure a 1995 Chevrolet Cavalier, with identical coverage and driver risk rating as the Taurus LX. Auto insurance for the single-parent family is based on the 1995 Chevrolet Cavalier. Rates for British Columbia, Saskatchewan and Manitoba supplied by Manitoba Public Insurance; rates in other urban centres are the average of between 8 and 12 of the larger insurers.

Transit Fares are based on adult (single zone) monthly pass rates in effect in February 2001. The Charlottetown fare is based on adult tickets for 240 working days.

Home Heating charges are based on annual consumption of 2,300 cubic metres of natural gas for the standard townhouse, or 3,450 cubic metres of natural gas for the standard two-storey. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil.

Electricity charges are based on annual consumption of 9,000 kWh for the two-parent family at $40,000, and 12,000 kWh for the two-parent family at $60,000 and $75,000 of income; 6,000 kWh for the single-parent family; and 4,500 kWh of usage for the tenant. Rates do not include municipal taxes or charges, and are based on residential rates in effect in January 2001.

Telephone charges are the basic service rates for individual residences. The single taxfiler and the single-parent family use a single phone; the two-parent families use two telephone lines.